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Chief Executives View Their Jobs: Today and Tomorrow

by Harold Stieglitz

A Research Report from The Conference Board

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Highlights

For all the political, economic, and social changes experienced during the past 15 years—the *job* of the chief executive remains essentially the same. Chances are pretty good that it will continue to remain the same.

What has changed is the arena in which the CEO today must operate. There are few sanctuaries in a world that has become a global village. The CEO's ken must be far broader, encompassing more types of business, more types of people, more governments than his predecessors of a generation ago. Consequently, it is the way the CEO operates, what the individual CEO must do to achieve above satisfactory results, that has changed. And it is the CEO's appreciation of the character of these changes—in relationships with the internal organization, with the board of directors, and with the increasingly less outside world—that has caused shifts in emphasis in how today's CEO achieves results. Leadership is situational—and the overall situation isn't what it used to be.

The Job

Significant to any further elaboration is the view that the the chief executive's job can be viewed from three different angles:

(1) *The chief executive function*—the set of responsibilities, duties, and decisions generally reserved to the chief executive. It comprises those decisions and actions whose impact is viewed as affecting the present and future well- being of the overall corporation.

(2) *The chief executive office*—the individual—or more frequently the one, two, three or more individuals—who collectively share and carry out the chief executive function.

(3) *The chief executive officer*—the individual recognized as bearing ultimate responsibility; whose position makes him the focal point of pressures from the board and its shareholders; from the internal organization; and from the outside—customers, community, government, peers, and the media.

The essential province of the chief executive officer—the parts of the job that cannot be shared or delegated without abdicating are:

—Ultimate accountability for results—in terms of growth, character and perpetuation.

—The decision as to what decisions to share, what specific responsibilities to delegate—and to whom.

—Leadership—by force of personality blended with actions, the responsibility to overcome inertia; to energize and build enthusiasm into the organization—to bring about change.

What Has Not Changed

From these perspectives, what has not changed is the CEO's function. Today, the reserved responsibilities—future plans, key executive selection, monitoring—and the priorities attached to them are essentially the same as those reported in the Board's 1969 study: *The Chief Executive and His Job.* However, the terminology used is more that of the 1980's than the 1960's: Planning has become strategic rather than long- term; monitoring and evaluation is far more acceptable then inspection and control.

What has not changed is reliance on a chief executive office. It is far more evident now, though often less formalized. Most companies of any size have long had a two-person team at the top—a Chief Executive and a Chief Operating Officer. The old titles of the twosome, President and Executive Vice President gave way many years ago to Chairman-CEO and President. A multiple CEO Office is also no novelty. It is no longer quite so necessary to designate on an organization chart that 3-4 or 5 people constitute the inner circle who share major corporate responsibilities. Their titles are loftier—more vice chairmen and senior vice presidents—and more ambiguous.

What Has Changed

Where the changes are most noticeable and noteworthy relate to the chief executive officer—the individuals. *What* they feel accountable for is pretty much the same. But there is evidently some rethinking of priorities about those to whom these CEOs feel most accountable. "Stakeholders" crops up more frequently in conversations. In the United States particularly, shareholders, as such, do not command the esteem they used to—especially when they are pension funds or predators.

But the changed emphasis is strongest in the CEO's utter

dependence on a strong top executive group; in their consequent pattern of delegation and decision making; and in their collective emphasis on leadership as their quintessential role. In these respects, the differences between U.S. and non-U.S. respondents has diminished.

The CEO's heightened dependence upon executives who "can make things happen" is most evident in the stress they place on gaining "commitment" and their approaches to delegation in decision making. Far more CEOs are now saying they don't know enough about the multiple businesses their companies engage in to make the big decisions alone. Whether the term is "consensus," "collegial" or the less ego-punishing term "participative," it is, with rare exception, their universal practice—but with variations in degree.

As for leadership, CEOs, by definition, are leaders only when leader equates with being No. 1. But, today, far more CEOs are conscious that being No. 1—having the CEO title—doesn't guarantee followers. Gaining the "voluntarily given commitment of free men" is the test of their leadership.

Why This Report

Effective chief executives seem to be constantly searching for ways to become even more effective. Those from whom they learn most are their peers—other CEOs who have experienced the unique character of the job. That is the main purpose of this analysis: to enable incumbent, prospective, and potential CEOs who ponder the overall question, "What's my job" to tap into a wider network; a wider range of views and experiences of other present and former CEOs.

This is a purpose with which The Conference Board is comfortable. It was from informal discussions among such business leaders that this organization was established almost 70 years ago. Since then, the concerns and the effectiveness of top corporate officers have been considered in almost all our studies of management practices because—no matter what else has changed—their opinions and behavior permeate every part of a business.

This is not the first Conference Board report—and undoubtedly will not be the last—dedicated solely to an attempt to have CEO's, rather than others, define their jobs. The competitive world has changed since 1969, when we published *"The Chief Executive—and His Job."* The extent to which those changes have altered the CEO's job is a prime concern of this analysis. The 1969 report stressed the elements of the job; this one gives greater emphasis to how the CEO gets the job done. And because multinationalism is more and more a trend among growing companies, this report attempts to search for substantive regional differences, particularly between CEOs in Europe and the United States.

As in all Conference Board reports, objectivity is our aim. But we recognize that this study attempts to be objective about some highly subjective material gathered from some highly subjective sources, the CEOs themselves. The result may well be more prescriptive than descriptive.

Because this report is based on the direct personal responses of the heads of corporations in many parts of the world, it may enable a wider community of executives and others to share and, possibly, to appreciate, what being CEO of a company entails. In these days of ever-widening public interest in corporate behavior, this in itself is a worthy purpose.

There are well over 350 authors of this publication. We thank all those CEOs who responded—as well as those who explained why they chose not to respond—to a very lengthy survey form. A very special and warm thank you goes to those 30 CEOs in Europe and the United States whose candor in personal interviews adds a special dimension to this report.

JAMES T. MILLS
President

Part I

The CEO: A Composite Picture

"No generalization is wholly true, including this one."
—Benjamin Disraeli

"With consistency, a great soul has simply nothing to do."
—Ralph Waldo Emerson

"Be very careful out there."
—Sgt. Phil Esterhaus
Hill Street Blues

"It isn't simplistic. There is no magic wand. It's damned tough work, and you're wrong a lot of the time. What you really want to do is to build a system where you're going to be wrong reasonably less of the time; where your judgements are importantly more informed. You have to remember your own fallibility in dealing with the enormous complexity of what's being tackled. There's little likelihood that a white knight is going to get it done, or somebody on a white horse charging away into the sunset.

"It is tough work; and it is complex and people either like it that way or they don't. People who try to make it more simple than it is are basically satisfying their own needs for order. To me, what's most important about this kind of business is the definition of maturity: It is the ability to live with uncertainty.

"There is a lot of uncertainty in this world and being able to live with that set of uncertainties and to live with the knowledge of your own fallibility and to be able to say, yea, 'that's right,' and to keep a sense of humor about it, and to enjoy what you're doing—those are all much more important than simplistic statements like 'the buck stops here' or 'the CEO is the whole show.'"
—A CEO from midwestern United States

A Note on Methodology

In large measure, this report replicates various processes used in The Conference Board's *The Chief Executive and His Job* (by Harold Stieglitz, SPP 214, 1969, now out of print). Thus, references in the text to "now and then" and "earlier and today" or "15 years ago" should be read as "between 1969 and 1984."

For the composite picture of the CEO's job, this study places heaviest reliance on a questionnaire that had been previewed and revised by a dozen CEOs in various countries. Because of the length of the questionnaire, and the fact that it was in English, 1,400 forms were mailed in order to achieve the 20-percent response deemed adequate for the overall analysis. (See Table 1 for a description of the 287 responding companies. See page 92 for a profile of the individual respondents.)

Extended interviews with 30 CEOs in Europe and the United States, plus supplementary discussions with various groups of CEOs, provided interpretations of the written responses and added information not adequately addressed in any questionnaire.

None of the interviewees were women, and the survey form did not request identification by sex. There is a reasonable certainty that virtually all the responding CEOs are men.

Although the questionnaires were tabulated and a number of the issues are summarized in charts and tables, this is essentially a qualitative study. However, when numbers are singled out for discussion, it is because there are statistically significant differences at the 5 percent level or less between the responses of subgroups.

Not all respondents answered every question. Charts and tables are based on the number responding to the specific question.

Table-1

	Total	U.S.	Europe	Canada/ Austr./N.Z.[1]	Latin America	Rest[2]
Dominant Business						
No. of Companies	284	152	66	31	19	16
				Percentages		
Manufacturing	45	49	41	39	47	44
Mining-Petroleum	6	3	6	10	11	13
Financial	22	19	30	16	26	13
Distribution, Retailing, Trade	7	9	3	7	11	0
Utilities	5	7	0	13	0	0
Other	16	13	20	16	5	31
Character of Company Business						
No. of Companies	271	143	66	30	19	13
				Percentages		
One Integrated	30	30	23	30	37	39
Several Related	51	53	55	50	37	31
Several Unrelated	20	17	23	20	26	31
Annual Sales (in $ millions)						
No. of Companies	275	152	61	30	18	14
				Percentages		
1-299	19	13	15	20	67	43
300-799	16	14	23	17	11	14
800-2,999	32	36	33	30	22	14
3,000-6,999	18	23	12	20	0	7
7,000 +	15	15	18	13	0	21
Foreign Sales (as % of total)						
No. of Companies	241	137	53	26	11	14
				Percentages		
1-14	43	59	6	39	64	14
15-29	14	17	11	12	0	7
30-70	34	24	49	39	18	71
71 +	10	0	34	12	18	7
Number of Employees						
No. of Companies	280	151	65	29	19	16
				Percentages		
1-1,999	15	12	14	10	47	19
2,000-4,999	13	13	11	17	21	13
5,000-14,999	35	34	45	28	21	25
15,000-39,999	24	25	22	31	11	25
40,000 +	14	17	9	14	0	19
Majority Ownership						
No. of Companies	270	142	66	29	18	15
				Percentages		
Public	66	82	41	72	44	33
Private	29	16	49	17	56	67
Government	3	0	9	3	0	0
Others	3	3	2	7	0	0
Family Controlled	18	13	20	17	44	33

[1] Grouped to focus on British Heritage; 22 are Canadian.
[2] Japan, Indonesia, Israel, Lebanon, Malaysia, Philippines, Taiwan, Turkey.

Chapter 1

Tomorrow's CEOs

"TOUGH" is the description that often surfaces when today's CEOs describe their jobs. "Tougher" may describe the job of tomorrow's CEOs. An increasingly hectic external environment, a far more globally competitive environment, will add substantially to the constant juggling and balancing so necessary to continued corporate viability. Dunlop's former chairman, Sir Reay Geddes (Great Britain), looking back more than 20 years, concluded that events have made the job a lot tougher. To which a chorus of peers might add: "And you ain't seen nothing yet!" It is not just the more chaotic external world; rather, it is the changing character of the businesses they will head that foreshadow the more difficult managerial position in the future. The management of diversity, of complexity, of change has, over the past couple of decades, converted the CEO's office into a pressure chamber. And more of that is in the offing—and not too far in the offing at that.

Just looking three to five years ahead, incumbent CEOs are not just envisioning, they are already planning moves that will add zest to their work or that of their successors. Few of the responding CEOs see their businesses hunkering down into a narrowed scope; most (three out of five) see a broadened scope—ever-increasing diversification accomplished largely through acquisition or merger.

Almost half anticipate changes in their businesses occasioned by changed technology. And rapidly changing technology may well be a dominant factor behind the fact that almost two in five see a greater reliance on joint ventures; and one out of five see licensing (either to or from others) as strategies for broadening their businesses. For about one-third, increased foreign operations—more often in the developed countries—is a key part of the broadening strategy.[1] Indeed, regardless of size or industry, those who see more diversification, foreign operations, joint venturing, licensing, and so forth, outnumber those who see less by about five to one. Only two of the responding CEOs chose "none of the above" to describe future plans.

The refocusing anticipated varies only to a minor degree with size and region. However, while even greater diversification is anticipated by most companies, it is primarily among those that are already conglomerates that even further spread into unrelated businesses is contemplated. The others will stick to further diversification but in related businesses. (See Chart 1.)

Organization Change

Since the current organizational idiom says structure follows strategy, more corporate reorganization is anticipated: About one-quarter of these CEOs anticipate major reorganizations, an ever-greater push to more self-sufficient business units headed by executives accountable for the total performance of their particular sector. And this further decentralization will force a substantial reanalysis of the work that will be reserved to corporate management and staff at the parent headquarters.

As a consequence, today's CEOs see an intensification of some of the same managerial problems they already contend with more or less successfully. Given a checklist of "top-management staffing challenges" for the next three to five years, "developing a strategic business-planning perspective" emerges as most crucial to CEOs in companies of all sizes, in all regions, and, in all businesses. Building teamwork at the top- management levels and effectiveness in managing a wider range of businesses are next in order of importance.

The Next CEO

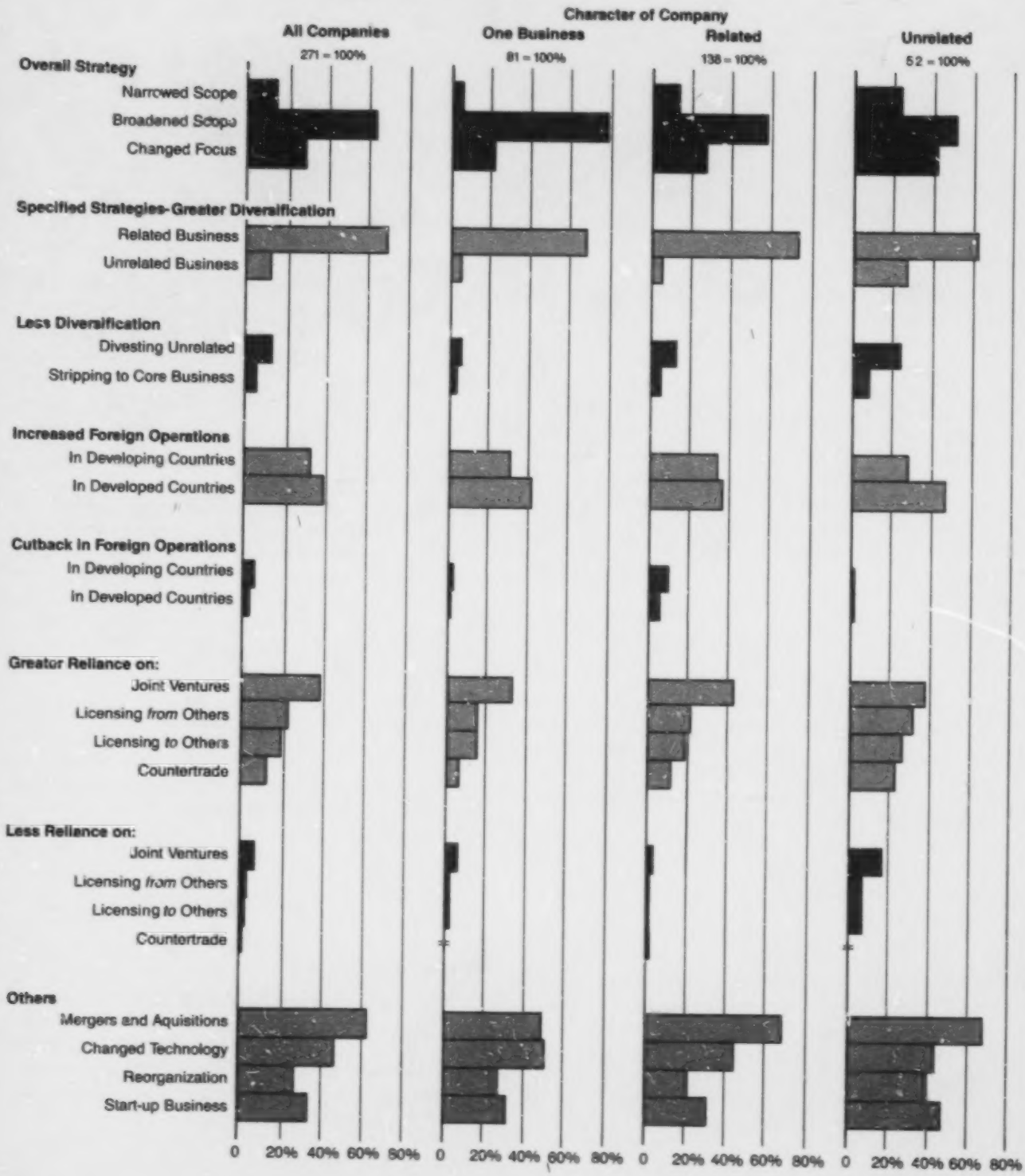
Nominating—or selecting or annointing—the next CEO is a challenge cited by fully two-fifths of the incumbents during the next three to five years.[2] Among U.S. CEOs, the prospect is mentioned far more frequently than among non-U.S respondents.

[1] James K. Brown, *Refocusing the Company Business.* The Conference Board, Report No. 873, 1985 provides a far more detailed analysis of company plans for changing directions and their means of implementation.

[2] A more comprehensive analysis of management succession, including CEO views and developmental processes appears in Ruth Gilbert Shaeffer, *Developing Effective Multinational Business Leaders.* The Conference Board, Report No. 874, 1985.

Chart 1.

Refocusing Business - Next Three to Five Years



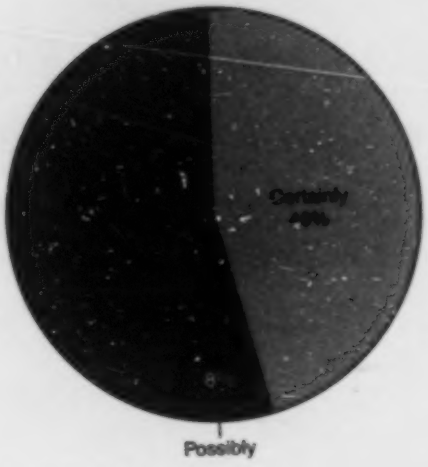
Chances are that the CEO's successor is already on the payroll—almost half say he will "certainly" come from inside; just as many say he will "probably" come from inside. (See Chart 2.) The degree of certainty is greatest among the heads of single businesses—more than half. Among those in unrelated businesses, only about one-third are certain that an insider will succeed them. Europeans are the most tentative—about 20 percent say "possibly" it will be an insider.

What are the qualities that incumbents seek in their successors? Again, given a checklist, "personal leadership style"—whatever its connotation to the individual reading those words—stands out as the most sought for attribute. That is the consensus among CEOs in all regions, sizes or type of business. Then comes an "aggressive competitive outlook" and, close behind, "entrepreneurial flair." However, even though roughly one-third anticipate growth in foreign operations, relatively few of the incumbent CEOs check "foreign experience" as important for their successors. Other more specific types of skills or experience—financial skills, knowledge of the business or the company, experience as a general manager—are not deemed anywhere nearly as important in their final selection as the personality and attitudes of the next CEO.

Chart 2.

The Next CEO
Probability of an Insider

(235 Companies = 100%)



Note: No Chance = 0

A Mirror Image?

What these CEOs seem to be projecting as their successors is a group of CEOs who, in the aggregate, will have the same strengths as they have. Their appraisal of their own strengths—and their satisfaction that these will do for their successor—is evidently based on the facts that (1) they have gotten them where they are; and (2) they are still there. Thus, a relatively small proportion of incumbents mention any desirable—let alone necessary—additions to their own capabilities. Financial skills, strategic planning, and information technology are the only exposures that at least one-third say they would like to have had more of.

Indeed, when the perceived strengths of the responding CEOs are combined with "desirable additions," a picture emerges of the overall qualities that they, as a group, identify with effectiveness. (See Chart 3.)

This list reflects the fact that most of the respondents head one business or several related businesses. Clearly, they view their company and business know-how as major strengths, even though they accord them less importance when considering their successors. Why? Several factors are evident:

(1) Inasmuch as four-fifths believe their successors will probably come from inside the company, knowledge of the business and the company are taken for granted. Indeed, prior to becoming CEO, the vast majority of incumbents were chief operating officers of their respective companies.

(2) Rarely does an outsider not already have substantial business and general-management experience. Their prior positions most often were also as operating heads of divisions or sectors. And those brought into head a business different from their own attest that intimate prior knowledge of a particular business is not that crucial. As one German executive stated: "I have two eyes, two ears, I have a good bent for learning—and that's enough." A Dane, new to the company business, says he forced his managers to set goals, then asked questions—and learned the critical aspects of the business very quickly.

Most significantly, they have found that as CEO, it is the attitude they bring to the job; their capacity to visualize a future company and lead their organization toward it that dwarfs other considerations. Britain's Sir Michael Edwardes, pressed on what he brought to BL (originally, British Leyland) that contributed to its turnabout, answered: "An attitude. . .we had to be competitive. . .(and) communication. . .with every man-jack in the company."

This very generalized picture of tomorrow's CEO in no way deprecates the more specific qualities sought by individual companies or their CEOs in specific situations: special marketing, technological or financial strengths. Nor does it dismiss the more personal qualities that some CEOs insist on; for example, an exemplary family life. Rather, it underscores two interrelated trends that are apparent among today's CEOs:

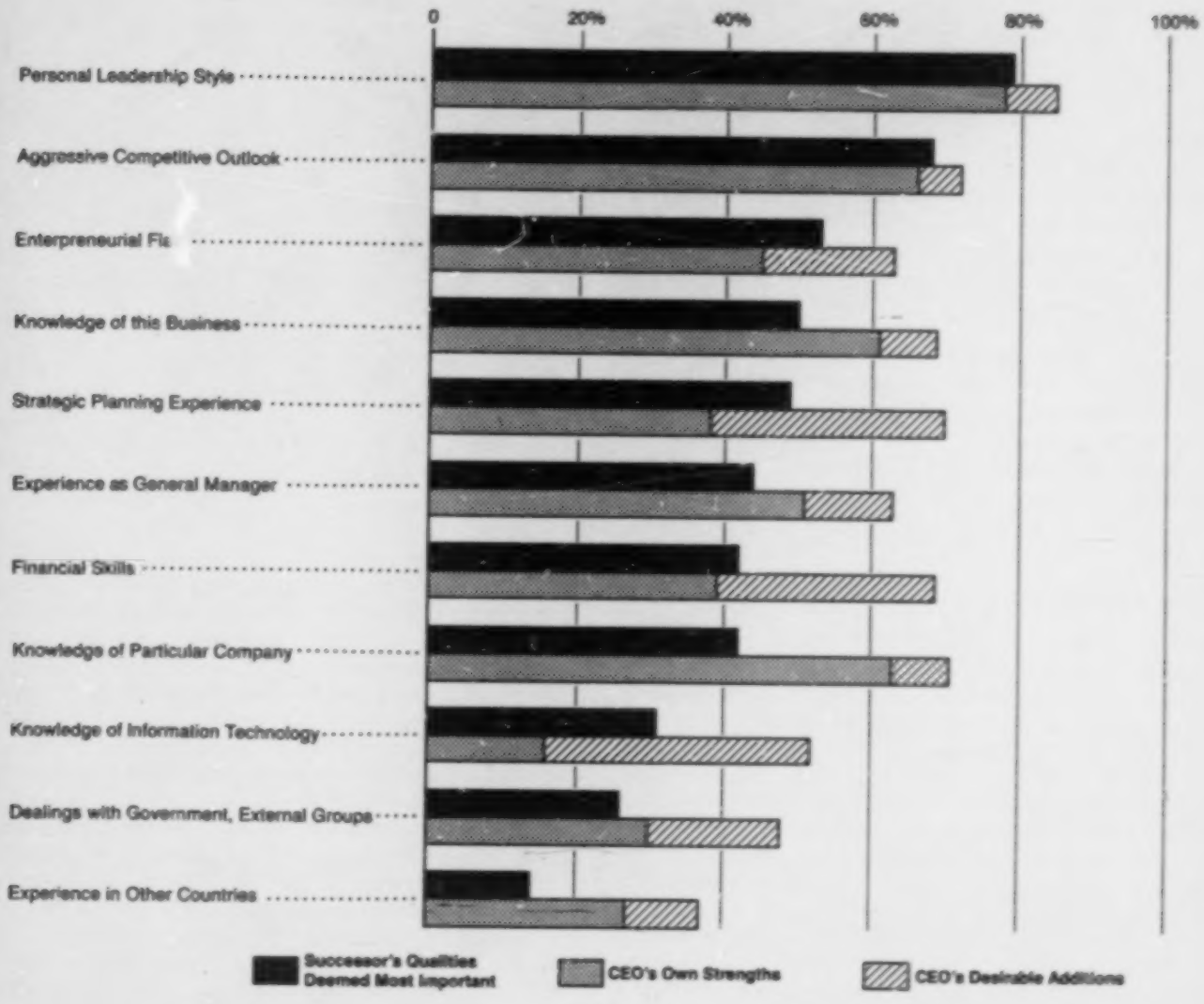
(1) Their emphasis on leadership—as opposed to professional management.

(2) Their reliance on competent lieutenants to share their decisions and implement their visions.

Chart 3.

CEO's Strengths and those Sought for in Successor

(241 Respondents = 100%)



Walter Light of Northern Telecom (Canada), on departing as Telecom's CEO, reflected: "When you really think it through, the most limiting factor on growth is people. You have to ask yourself: 'What are the kinds of people I am going to need about me to run this organization successfully.'"

And while "tougher" is the word to describe the job of tomorrow's CEO, in certain respects, it may be easier. Fifteen years ago, a Norwegian CEO observed that "the distance between Number Two and Number One is an enormous gulf." The gulf is still there—but because of the way companies are organized and the way the CEO operates today, the gulf is not quite so wide as it once was.

Chapter 2

The CEO's Job Today

TODAY'S CEOs, like yesterday's and tomorrow's, revel in the fact that they are CEOs. A U.S. CEO says: "It's the best in a career, it's the worst in a career—but on balance, I can't imagine living without it." Another comments: "You have to be there to really understand the demands, the exhilarations, and the challenges."

It Is Unique

Theirs is the ultimate accountability for the company's success—in any meaning of the term. That is the essential difference between being a CEO and not being one; that is the factor that makes the CEO's job unique.

Others in a company may feel their particular contribution is most significant, but they, too, know it is the CEO who retains accountability. That is why the phrase "the buck stops here" still crops up so frequently when CEOs discuss their jobs. And that is what CEOs whose companies have been acquired know they have lost.

With that loss goes a second element that gives the CEO's job its uniqueness: the power to make or take final decisions. As a Canadian says: "It goes without saying that the big, ultimate decisions can only be made by a CEO." Geoffrey Simmonds, who after being CEO of Simmonds Precision Products (United States) for 25 years merged it with Hercules, expresses both points when he says: "Previously, I was ultimately accountable to my board—now all of a sudden I am accountable for just a unit of Hercules. Previously, I would have made decisions either alone or with confidence that the board would back me ... when you have a parent, you've got to think a little bit differently." Another U.S. executive, in a similar position, put it more succinctly: "You're at the other end of the buzzer."

Still a third element makes for the job's uniqueness: In no other position in the company is the nature of the job so completely defined by the character of the individual. He approves his own job description or position guide; in large measure, he creates his own expectations—in contrast to his subordinates who try do what is expected. And, most significantly, the personality of the CEO determines his manner of managing and leading. It is not by way of idle chatter that CEOs, in talking about their work, also find it necessary to characterize themselves: "I'm a great communicator"; "I'm a soft-spoken person"; "I'm blunt," and so on. One Britisher, pressed to explain the difference in moving from a "5-5 type management to a 9-9"—simply said, "It's me."[1]

A fourth aspect of the CEO's job adds to, (although more likely it derives from) its uniqueness. "It's a very lonely job" says a U.S. CEO—a refrain that echoes from all parts of the world. A Dane says: "He's pretty lonely because all the unpopular decisions end up on his desk." A Hollander agrees: "He's pretty sad and lonely." A Chilean amplifies: "The one who is most alone on the job because he has to assume the ultimate responsibility for everything." However, the loneliness plaint is not quite so strong as it once was. A few CEOs volunteer that it is really not all that lonely. And Arinco's former Chairman, C. William Verity (United States) appends that it need not be lonely: "It doesn't have to be so chilly at the top. There's all kinds of help—inside and outside—available to you, if you choose to use it."

Accountability: To Whom? For What?

Just what the CEOs mean when using the phrase "ultimate accountability" becomes clearer when analyzed in terms of "to whom" and "for what." The "to whom" is essentially the board of directors and shareholders. Nine out of ten responding CEOs go no further than those two bodies in answering the question "to whom are you accountable."

[1] Based on the Robert Blake and Jane Mouton Managerial Grid. As depicted by its creators:

5-5 is "Organization Man Management—Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at a satisfactory level."

9-9 is "Team Management—Work accomplishment is from committed people; interdependence through a 'common stake' in organization purpose leads to relationships of trust and respect."

9-1 is "Authority Obedience—Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree."

Ultimately, it is the owners—one, several or a multitude—to whom they know they are accountable. They are fully aware that the board is the legal representative of the shareholders; it is the board that has the authority to hire and fire them. And it is the hiring and firing power that determines their priority in answering "accountable to whom?" Beyond this legal or formal accountability is their awareness of a much larger community of stakeholders—those most effected by what their companies do—whose expectations perforce are becoming obligations.

For an appreciable number of CEOs, informal accountability—to customers, to employees, to governments, to the local community—weighs as heavily, if not more heavily, than that to shareholders. Indeed, in conversations with CEOs, the latter point comes through most strongly. The changing structure of equity holdings evokes a bit of cynicism among some CEOs about shareholders. A U.S. CEO complains: "A year from now, 70 percent of my stockholders will have changed. On that basis, I put my customers, and my employees way ahead of them." Another inveighs against the institutional holdings, the pension- fund managers, but concedes it is something of a vicious circle: "We complain about them on one day; the next day, we're on their backs for better performance of our own pension funds." Terms like "predators" and "speculators" help account for the lessening priority CEOs give their shareholders.

For what they feel accountable is, to a limited extent, revealed when CEOs answer the question: "Who appraises your performance—and what measures are used?" The virtually automatic response to this question is the board of directors. However, what stands out is the more frequent mention of a specific committee of the board. Among U.S. CEOs, less so among non-U.S., the compensation committee or (infrequently) the personnel committee evidently is charged with evaluating CEO performance. In many cases, the measures of performance mentioned by CEOs are quite general: "Comparison to other similar companies" (United States); "Corporate objectives, long- and short-term" (United States). A Mexican says: "There is no formal appraisal—the company's overall growth and performance is the best appraisal." An Australian comments: "I guess the board does! There are no formal standards other than the annual results."

The bases for appraisal get just a bit more specific when a board committee moves into the evaluation process: "the compensation committee—using absolute corporate performance based on various financial and operating factors," says a U.S. CEO. A Canadian says, "The personnel committee—but not merely by mathematical measurement."

These abbreviated comments from the questionnaire, when more fully spelled out in conversations with CEOs, indicate that the board's bases for appraisal fall short of an agenda or description of what the CEO is accountable for. In considering CEO appraisals what is rather clear is that:

(1) Increasingly, annual plans are submitted for board approval. Periodic detailed results also go to the board members. Both become a basis for the board to discuss remuneration—which is taken by the CEO to reflect the degree of board satisfaction with performance. The results that carry most weight are clearly those that can be measured in dollars, pounds, marks, francs, and so on.

(2) Inasmuch as outsiders now dominate the boards, the information provided by the CEO—and his relationships with them, individually and collectively—provide most of the basis for their appraisal. Sir Michael Edwardes, commenting on his ability as a non-executive chairman to evaluate the CEO, says: "I go by performance—and the behavior of the chief executive with the board. If the chief executive knows what he's doing and the board goes with his reasoning, and if he's credible, I back him."

(3) It is the sustained performance over a number of years, rather than the annual performance of the CEO, that the board usually looks at. Dieter Wendelstadt of Colonia Versicherung (West Germany) might well have been speaking for most CEOs in saying: "They want to have the feeling that there's peace in the company; that the management team knows where it wants to go; that it has produced a long-range plan and is working toward that plan. Then, if they don't hear too much noise from within, and they don't hear too much noise from the marketplace, they can control by the paper we produce."

External circumstances have contributed to a shortening of the number of years now considered in weighing "sustained" performance. It may well have contributed to the seemingly greater turnover among CEOs reported by the business press. Even so, two-thirds of the respondents have been CEOs for at least five years; 40 percent have been in the job for more than ten—despite the existence, especially in Europe, of five- year contracts after which the CEO must be reelected.

(4) Seldom does the CEO receive a mandate from the board in the form of an agenda of goals or purposes to be fulfilled. More often, the CEO informs the board of his aspirations. The board may approve or disapprove. But it is the CEO who gives the company its direction.

These general considerations underscore a crucial point about "ultimate accountability." It is the CEO rather than the other stakeholders—or even the board—who gives definition to that term. As stated by a U.S. CEO: "The realization of success or not will be a personal conclusion by myself." In that respect, CEOs often are the most strict appraisers of their own performance. (Several volunteered, "my own conscience" as their appraisers.) Their more personal measures of success give more substance to what they are accountable for.

Their Own Measures of Success

"When you leave the job, how will you know you have been successful?" That question, evokes a lot of non-answers.

Many CEOs did not respond to this request for introspection. The rejoinder from a few others is that they would not try: A Finn, for example, writes: "The judgment is up to others." Others concur: "The future will tell," or "history."

Still others seem to agree with the U.S. executive who says, "I don't know. I suppose just by an overall intuitive judgment." From a couple come responses similar to the U.S. executive whose measure will be, "Will the people regret my leaving?" This contrasts with—and sounds more realistic than—the contention of several who claim they will have been successful, "If my departure is a nonevent" (United States), or "If the company does not realize that I have retired." (Italy)

The fact that they have survived as CEO is, in itself, a measure of success. A Brazilian CEO, for example, volunteers: "To have survived 20 years of military government and 10 years of no government control on inflation without sacrificing principles."

The more substantive measures of success volunteered by the CEOs fall into two overlapping categories:

(1) How far we have come—changes and improvements

(2) How far we can go—momentum for the future.

Some CEOs emphasize the first point. For example:

"By sense of improvement in overall stature and reputation of the organization and its financial soundness in terms of income, growth and reserve strength." —United States

"If I leave a successful company based on excellence and service and a management that believes it did it all without benefit of a single leader." —Canada

"If I can truly say that I inherited a great company (a fact) and made it better." —United States

"I will hear it from my successor—and then think about it." —West Germany

Just as often, their positioning of the company for the future is underscored.

"How the company performs in the three to five years after my departure." —United States

"If the company is more successful in the next 10 years than in the past 10." —Canada

"Success of my successor." —Mexico

"By the changes my successor will immediately introduce and by the profit performance he will show."—Netherlands

But, most often, both past accomplishments and potential are key to the CEO's view of "success":

"By increase in earnings per share during my period of stewardship; selecting the right man to succeed me; having a happy management team." —Great Britain

"Is it seen as a leader—a real winner? Then, five years later, is it still a winner?" —Canada

"If our company's position within our industry is stronger than when I became CEO, and if our people are better prepared for their future, I will be satisfied." —United States

"By the growth and prestige of the company that I leave behind for my successor to improve upon." —Australia

"If the right successor is in place rather than appointed by default; if the company is in good health financially, philosophically, and in the performance of its work force; that a competent executive team is in place; that the company is growing as a market leader." —New Zealand

A CEO from Taiwan sums it up:

"These are my criteria:

"(1) Have significantly improved:

(a) profitability

(b) market position

(c) product leadership and innovativeness

(d) long-term investment value and financial soundness.

"(2) Have attracted, developed and kept a great many talented people.

"(3) Have fullfilled social responsibility.

"(4) Have selected a qualified and competent successor."

Implicitly, and in some cases explicitly, the CEO's measure of success is the degree to which their pride, ego or self-image has increased or, at least, remained intact. A U.S. CEO comments, for example, that whether he leaves "voluntarily" or "involuntarily" will be the prime criterion. And a British CEO explains that the "*personal* risks" that flow from a CEO's nonperformance are not financial: "He doesn't have to worry about money, but the damage to reputation—the lost respect of his peers—leaves him a broken man." A European amplifies: "They point the finger at you . . . Your image can be destroyed in your own eyes and others' eyes. There's not much difference between being a hero and being somebody everybody dislikes."

The Consensus on Accountability

Looked at in aggregate, the similarities in views on accountability and—even more so—on their measures of success dwarf the differences. There is virtually no difference in CEO responses whether the company is small or large, manufacturing or nonmanufacturing. Regardless of nationality, CEOs speak a common language when it comes to assessing both accountability and success on their jobs. Time has not had much effect either. The cast of characters has changed, but responses to a similar set of questions 15 years ago were virtually the same—in many cases, even the words were the same.

On that basis, a composite answer to the question: "To whom accountable and for what?" needs only minor modifications from that of 15 years ago. The CEO is accountable to the owners—whether he likes them or not—principally through the board that acts as their stewards plus an increasingly vocal and formidable group of constituencies or stakeholders—customers, employees and colleagues, communities and governments. The accountability is for the company's:

(1) *Growth*—primarily in the form of increased shareholder value. While some resent the financial community's assessment of the company's value as expressed by the stock market, virtually all insist that they have to insure increased value. Thus, share of market, product leadership, and, most significantly, such financial measures as return on investment, return on equity, earnings per share, and market value

compared with book value are key determinants of growth. To achieve such financial results, tremendous emphasis is given to growth in the capability and productivity of the total work force.

(2) *Perpetuation and Self-Renewal*—E. M. deWindt of Eaton (United States) speaks pointedly and poignantly for many CEOs: "The greatest fear I've had all through my career is that I didn't want to preside over a company that has become obsolete. And I think that begins with people and key management positions."

For sustained self-renewing momentum, the selection and development of a competent successor and a top-management team becomes the CEO's most crucial decision. Next in importance, judging from CEOs interviewed, is their commitment to innovation, primarily through R&D.

(3) *Character and Values*—the loyalty and commitment of its employees and the esteem of external constituencies are major contributors to a corporation's growth and perpetuation. Both depend upon the beliefs the company projects and practices, internally and externally. But for a host of companies and CEOs, they are ends rather than just means.

CEOs are quite conscious that it is they who project the company's value system. RCA's Thornton Bradshaw (United States) says: "Values come first." Piet Waeyenbergh of De Eik (Belgium) says: "People must be motivated with something more than just coming to kill time and earn a few dollars."

Reserved Responsibilities

How the CEOs—and their appraisers—define success and/or accountability dictates the areas of decision making or the actions reserved for themselves. Indeed, the CEOs seems to have far less difficulty stipulating their primary responsibilities than their measures of success. For some, they are virtually interchangeable.

Just a few of the answers to the question: "What are your primary responsibilities" can be assembled into an all-purpose, universal, short or long position guide:

"Chart direction (strategy) of corporation and the principal businesses.

"Assure management continuity; participate in election of top management.

"Assure protection of corporate assets (via proper controls) and adherence to ethical standards. Represent the corporation in the outside world." —United States

* * *

"To find and nurture talented colleagues and possible successors.

"To encourage individual capacity to grow with maturity.

"To encourage forward-looking acceptance of risk.

"To maintain and assure growth of all the assets entrusted to me.

"To reward effort and insight as well as success.

"To re-create recognition of private enterprise achievement." —Australia

"To lead an organization to self-generation of additional volume and profits. To see that this occurs in an environment of good citizenship everywhere the company operates." —United States

* * *

"Establish policies and strategy; choice and evaluation of top management; control delegation procedures and their use; make major decisions concerning equity." —Belgium

* * *

"To determine the strategy and direction of the company most likely to be successful in 10 years and to start moving in that direction; and to develop a strong group of senior officers." —Canada

* * *

"Determination of strategy. Choice of top personnel. Leadership—tone setting." —West Germany

* * *

"Selection and appraisal of top management. Major investment decisions. Review of strategic plans and results. Representing the company." —Turkey

* * *

"Ensure appropriate change while also demanding that the company runs well.

"Help people grow quickly.

"Ensure proper ethical standards and 'culture.'

"*Not* be entirely predictable!" —Canada

* * *

"Develop and set up company culture concepts.

"Select ideal management team.

"Formulate long-range development plan.

"Find optimum balance between shareholders' needs and management's.

"Long-term goals." —Chile

* * *

or—more briefly:

"To run the company." —Canada

The Core Duties

What comes through in such comments combines the substance—*what*, with the style—*how*. Separating substance from style: The core areas identifiable as synonymous with the chief-executive's function, with the decisions and actions that are the province of the CEO, include, not necessarily in order of priority:

(1) *Setting Direction:* Whether stated in terms of vision, goals, objectives, strategy, or mission—where the company is headed and what it seeks to become stand out as the cornerstone of the CEO's function.

Most often, the CEO concentrates on the long term. As one U.S. CEO comments: "If you insist on distinguishing between me as chairman and our president, he is looking one to three years out, I take three to five years and longer."

What constitutes long term is, of course, relative. But in relatively few cases is the "long term" encompassed during

the tenure of any particular chief executive. Except in cases of CEOs brought in to accomplish a short-term turnaround, theirs is a constantly receding horizon.

(2) *Allocating Resources; Establishing Priorities:* "Strategy," explained one CEO, "is really a fancy word for choices. We've got to make choices." Converting mission, vision or what-have-you to operational reality occurs when the CEO backs his informed judgments with money—or places his bets. Today, for many, it is less a matter of allocating resources than of reallocating them—cutting here, adding there—to give emphasis to a new or different business configuration.

Diversification has lessened the heavy risks involved in the capital commitments to some degree. Paul Staley of PQ Corporation (United States) avers, for example: "There is no one decision I could make that would put this company under. . .we don't play Russian roulette."

But even with diversification, the risks involved in acts of commission or omission have tremendous consequences. The capital and operating budgets that reflect the corporation's short- and long-term priorities are the CEO's most concrete expression of his vision.

(3) *Promulgating Value Systems:* The character of the company, as already mentioned, is essentially a projection of its value system. Seldom can an incumbent CEO alone actually create the value system. In large measure, it is inherited. Founders most often have been the major influence in establishing internal and external standards—the codes of behavior relative to employees, customers, suppliers, the community. At Armco they still speak of George Verity's policies; at AT&T, Theodore Vail is the icon; at Henkel, it is "old Mr. Henkel"; at IBM, it is still Tom Watson, Sr. The list could go on. But capturing the best of past traditions and creeds, elaborating them in a current context, and reinforcing and inculcating them—often through written policies, but more seminally through practice—is what CEOs recognize as a formidable reserved responsibility. And it is a highly personal responsibility: "The CEO must epitomize the value system."

(4) *Organization and Key Executive Selection:* The neat, orderly and presumably rational approaches to assembling the myriad types of work in near and distant places that make up the modern corporation have gone out the window in recent years. The pace of change and pressures of competition have induced far more varied experimental approaches to corporate structures.

For CEOs, organizing—or more appropriately reorganizing—usually boils down to the perennial problem of balancing the pressures to decentralize with the pressures for centralizing. Any resulting organization, they recognize, will be changed tomorrow. For most, "small is beautiful" is currently the favored path, signifying increased reliance on the creation of smaller business units that mesh into divisions, groups, sectors or, the most popular idiom of the day, "strategic business units (SBU's)."

"If it's not broke, don't fix it" has become an organizational principle voiced by some CEOs. On a practical basis reorganizing, for CEOs, is almost synonymous with people—the executives whom the CEO can rely upon to make things happen. Most noticeable in conversations with CEOs is the extent to which getting the right people in the right place, recruiting people in whom they have greater confidence and trust, precedes the organizational restructuring.

Indeed, the ever-increasing dependence of CEOs on their key subordinates—whether their titles be president, executive vice president, or whatever—is one of the more noteworthy developments over the past 15 or more years. Of the many decisions he makes, the choice of those whom he regards as a good fit is the least participative or collegial. The CEO relies on his own judgment. And it is in decisions regarding key executives that CEOs seem quite willing "to go to the mat" with their boards, even when the board retains the legal power of appointment. As one German, operating under a supervisory board, said: "If they don't accept my choice, they'll have to fill two positions."

(5) *Development and Designation of Successor:* In most companies, the next CEO will emerge from that small coterie of top executives that the CEO calls his "top management team." The official election will be by the board of directors, but rarely does the CEO's nominee fail to get the nod. There are CEOs who are willing to let the board's final selection be from among several candidates. John Harvey-Jones, ICI, (Great Britain), for example, insists his job will be to develop a group of executives from whom the board can choose. His point is that when the several have achieved the top-management level, the differences are marginal: "I wouldn't lose too much sleep with anyone of them." More often, however, the CEO searches for that marginally different—and presumably superior—individual, and assigns ever-greater responsibilities to that person, especially during the last two or three years prior to departure.

But even before departure, incumbents try to assure themselves of a ready internal replacement. "If I get hit by a truck" is a favored—though technologically obsolete—phrase that crops up in conversations to underscore the fact that the designated successor is in place—and known to the board.

(6) *Relationships with the Board of Directors:* The variations in the structure of boards—one tier or two tier; inside, outside or mixed—produce a variety of relationships between that body and the CEO—even when the CEO is also chairman. The board's legal power to hire and fire the CEO and its legal power to give or withhold various levels of authority condition his approach to his work and to them. Without the board's support, the CEO flounders. Taking it for granted or treating its approval as automatic proves quite risky.

Even when the board is serenely confident of the CEO, a U.S. CEO warns that you have to avoid putting the board in an "embarrassing position." William Verity, for example, reflecting upon his early days as Armco's CEO, acknowledges: "I did a lot of bumbling with the board. . . I felt that if you were chief executive, you did what you wanted, then told the board. The board doesn't like that. . . It took

me a while, but I finally found out that a good relationship with the board is essential. . . ."

The relationship can be especially ticklish in a family-owned company with a family-dominated board, as at least one European non-family-member CEO attests: "The CEO in a family-owned company must have some faculties of a diplomat. . . I try to stay away from being a mediator, although sometimes I have to do that. . . My key job is not really to manage the family, but it is part of the whole thing."

Ian MacGregor, current chairman of the British Coal Board but then Chairman of Amax, pointed out: "There is an ebb and flow in the relationship between the CEO and the board." In recent years, CEOs have been more conscious of the flow than the ebb. The changing composition of board membership and directors' heightened consciousness of their own responsibilities have added to the importance of what CEOs call the "care and feeding" of the board. John Emery is just one, possibly extreme, example of that emphasis when he notes that he prepares for 36 meetings per year. For him, a large job was "putting together a blue-ribbon board. . . all of whom had to meet a payroll on Friday, just like I do."

Indeed, for CEOs, getting the "right" board members looms almost as large as getting the "right" subordinates. Michael Edwardes who, on assuming chairmanship of British Leyland moved immediately to change his board, comments: "Above all, British Leyland needed a board that had stature, and was of an independent mind, and so could help avert undue NEB or government intervention."

Although CEOs have been heard to complain about their boards, virtually none of the respondents sees the board as a hindrance. Some say it has little effect on certain types of management decisions; but most say it is a help. (See Chart 4.)

(7) *Key External Relationships:* Governments and their regulatory agencies continue to be a preoccupation of the CEO. In Europe, both national governments and the EEC command the attention of the CEO. As an Italian CEO said: "When one of the EEC Director Generals calls a meeting, I have to be there." In the United States, it is not too different: Washington commands attention. In developing countries, the close interaction between government and business makes it essential that the CEO have continued involvement with government circles.

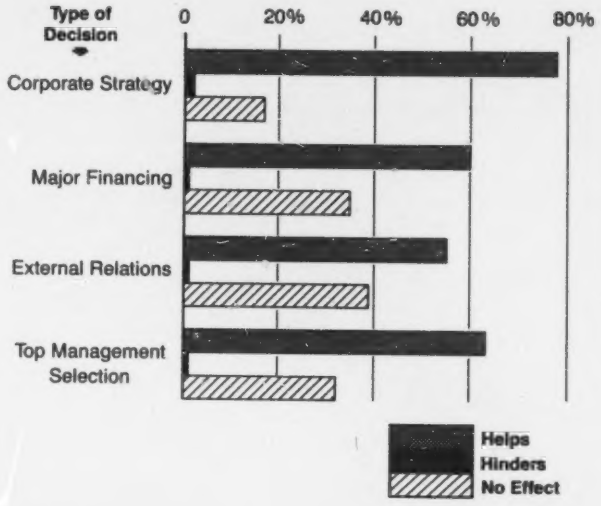
The financial community—domestic and international—is a second front that has long commanded the CEO's personal attention. Key customers, peer associations, and the more local community are also mentioned frequently.

In short, the CEO's personal commitment and involvement in certain external relationships that are critical to the corporation's well-being are rather constant. If anything, during the past 15 years, there has been an increased awareness and intensity in CEO involvements in public affairs—especially among the larger companies. The health and reputation of the communities in which they operate are critical to their ability to recruit people. DeWindt, referring to his heavy involvement in the regeneration of Cleveland, Ohio, commented on the significance of an attractive environment

Chart 4.

Board's Involvement in Decisions

(287 = 100%)



in attracting good people: "Cleveland was the butt of every stand-up comic in the country. Under those circumstances you can't just withdraw. I raised money, I got other executives involved, I appeared where I ought to appear. I do most of this before or after the business day."

And in the broader area of government and public policy, CEOs have become far more "pro-active." Sir Reay Geddes puts that term in good English: "That relationship (with government) includes the duty not only to respond, but to be an expert witness before government whenever outsiders, often with the best of intentions, originate new pressures. Governments need advice from practitioners." He amplifies: "We have to distinguish between lobbying of two kinds: First, going to government because I want something that is in the interest of my company; second, going to the government to say: 'I'm not talking now particularly about interests of my company, but if you're going to do so and so, there are some ways in which you can do it well and some ways that won't work.'"

These days, far more CEOs are using the second approach—but not, of course, to the exclusion of the first.

(8) *Monitoring and Evaluation:* To the question, "How do you know, this minute, that everything is under control?" a U.S. CEO responded: "I don't—and it probably isn't. . . you can't devise a control mechanism that will let you inspect what people don't want you to find out or what is not consistent with their value system." But he went on to say that he gets the numbers regularly, has made sure that there are feedback mechanisms that measure progress—"but control. . . that's an illusion."

To a similar question, another CEO says: "I'm darn sure that there are no surprises." It is clear that CEOs constantly monitor and evaluate and take corrective action when it is needed. The flow of formal reports—the numbers—is their

primary mechanism. But conversations indicate that they place just as much, if not more, reliance on personal observation—chats in the hallway, visits to company operations. Innocent and not-so-innocent-sounding questions that get non-answers raise the CEO's hackles. CEOs plan and talk long term, but it is clear that they are alert for smoke; there is some firefighter in virtually all of them.

That these eight responsibilities constitute the core areas of decision and action reserved to the CEO is supported, in large measure, by the functional staff positions that generally report directly to the CEO. In the process of decentralizing, operational staff functions like marketing, engineering and purchasing usually report to the chief operating officer or are housed within the respective SBU's. But those staff functions that reflect the priority concerns of the CEO—finance, legal-secretarial, planning, public affairs, and top-management organization and development—are most often at corporate headquarters with the CEO.

Their Priorities

In an attempt to get a more accurate picture of the CEO's priorities, they were asked to rank the relative importance—as well as the time they devote to them—of a group of activities that accord quite closely with those already mentioned:

(1) External involvements—with the community, other companies, and government or educational institutions.

(2) Board of Directors (Supervisory Board)—meetings and other contacts.

(3) Planning—strategic: including formulating corporate objectives and growth plans.

(4) Corporate Organization and Key-executive Selection and Development.

(5) Monitoring and Evaluation—checking and appraising individual and company performance through on-the-spot visits, inspection and written reports.

(6) People—dealing with internal personalities and personnel, interpersonal conflicts, stimulating individual and group performance.

(7) Current Operations—short-term plans, problem solving on day-to-day marketing, engineering, production problems.

(8) Personal Development—reading, attending meetings, seminars, courses.

(9) Other—any other activity that takes a major segment of time—for example, actually selling to major customers, working on an acquisition or merger, and so on.

To some, the very idea of assigning priorities is naive and fatuous. Olivier Lecerf of Lafarge Coppee (France) for example, characterized the attempt as "too Cartesian"—an attempt to impose order on the obviously disorderly. "My first priority," he insisted, "is the viability of the company—the specifics vary from time to time."

Of course, that is the case. Among the CEOs interviewed for example, it was clear that getting the right people in the right place pushed other considerations aside for some. For others, succession problems commanded most attention. "Marketing" is frequently mentioned and the threat of an unwelcome takeover pushes all else aside.

What Is Most Important?

But when asked to reflect about the past three to five years, the CEOs reach a high degree of unanimity about what is most important: About two-thirds of the responding CEOs give planning—by whatever name they call it—highest priority. No other responsibility comes close to it in top rating.

Looking at the activities that these CEOs rank among the top three in importance gives a clearer picture of their continuing preoccupations:

Planning, then organization, with particular emphasis on top-management selection, rank "1" and "2," with monitoring and evaluation a distant third.

Possibly the most compelling picture of priorities emerges when the five activities ranked most important are assembled:

Planning and selection of key people virtually match in importance; not too far behind is monitoring and evaluation, then comes "people"—the morale and productivity of the work force—and external relations, principally government. (See Chart 5.)

What Takes Time

How the CEO spends his time may well be a truer indicator of pragmatic—as opposed to idealized—priorities. And their best "guesstimates" of time allocations during the past three to five years square rather well with what they say is most important.

The congruence does not show up when the activity that gets most time is compared with that rated most important: Half as many of those who rate planning most important give it most time, while the proportion of those who rank external relations as the chief time consumer is double the proportion of those who rate it of top importance. Indeed, most CEOs concede that they are unable to marshall their time in the exact order of what they believe is most important.

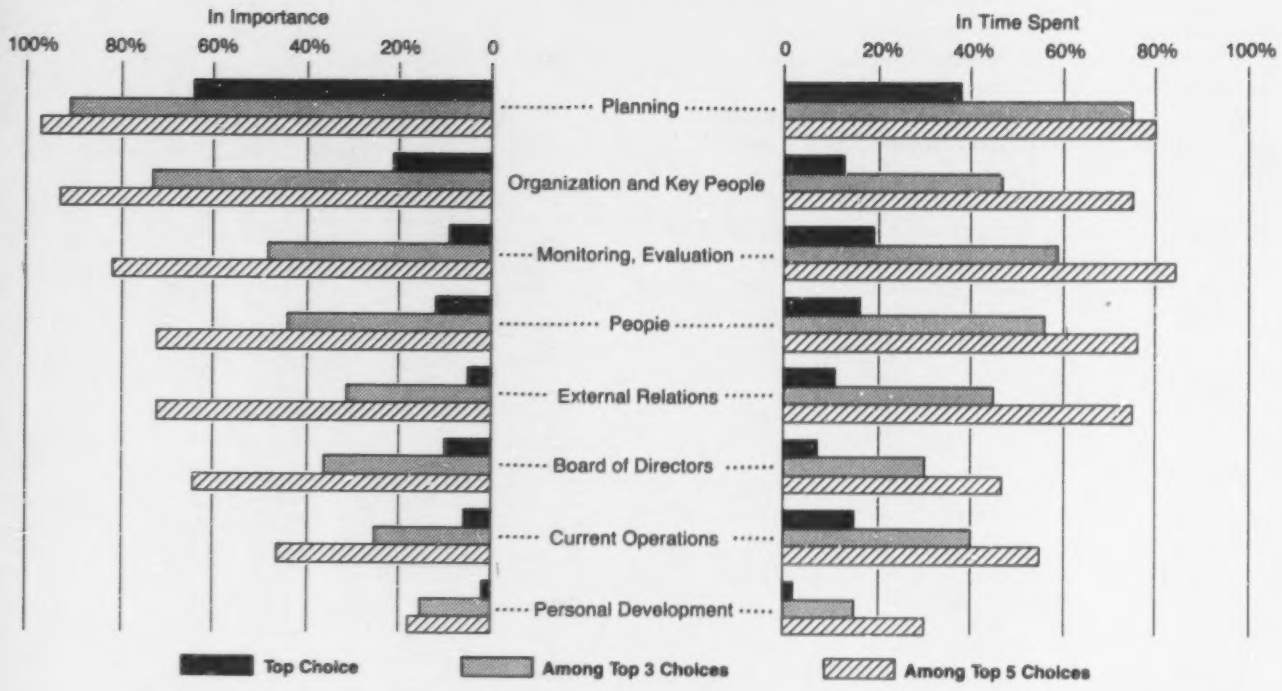
These seeming inconsistencies arise, CEOs admit, because they "can't say no"—especially in certain areas of external relations. And some of these involvements, by their very nature, are more time consuming than important. The ceremonies that attend various public affairs or community activities are the CEO's prime example. Then, too, CEOs profess some difficulty in segregating time spent on activities whose purposes clearly overlap; in any one top-management meeting, a CEO may be planning, monitoring and developing people.

However, granting the imprecision involved in time allocations, when CEOs rank their five most time-consuming activities, the aggregate result supports their contentions of relative importance. The exception—which tends to underscore the CEO's concern with immediate results—is time spent on monitoring and evaluating; it edges planning as the top time consumer.

Chart 5.

CEO Priorities

(287 = 100%)



As a composite, these priorities, whether looked at in terms of what CEOs say is most important or how they spend their time, are virtually the same as those of 15 years ago. Variations because of size or character of business are not noteworthy. But the different emphases among CEOs in various nations are still substantial. External relations, principally with governmental bodies, gets far greater emphasis from CEOs outside the United States than from those in the United States—15 percent compared with two percent rate it most important. "Planning," which ranks first in importance among two-thirds of the U.S. and European CEOs, gets top emphasis from far fewer (55 percent) of the CEOs in the rest of the world. The futility of their individual planning efforts, given government's dominance of their economies, is a major reason cited by some.

And despite the emphasis on more "hands-on" management heard among European CEOs, monitoring still has relatively less importance to them than to CEOs in the United States and other non-European countries: Only 3 percent of the Europeans rate it most important; 30 percent put it among the top three considerations as against more than half the non-Europeans who do so.

It is worth noting that the differences in CEO priorities—when looked at in terms of their five highest priorities—are relatively minor.

Outside Involvements

"No chief executive can turn his back on external relations" is a sentiment strongly expressed by various CEOs. It is a time-consuming activity, but one that gains in impact with the visibility of the company. Size is a key factor in that visibility. But even small companies are, of necessity, involved in external relations when they happen to be the prime employer in a particular area.

For many CEOs, it's more than involvement. They assume a leadership position. Two out of five of the responding CEOs have held a policy- level or professional position in a nonbusiness organization: More specifically:

58 percent in community organizations
28 percent in government bodies
16 percent in educational institutions

Except for educational institutions, where one-half as many report involvement as did 15 years ago, the mix of CEO external activities, at least in leadership positions, is about the same now as then. For U.S. CEOs, community activity is most consuming; for non-U.S., it is government.

Chapter 3

Getting the Job Done

BEING CEO, when looked at in terms of ultimate accountability and reserved responsibilities, means being the linchpin that connects the company and its board of directors, the market it serves, the publics it comes in contact with and affects, and the various government bodies that constrain or encourage its effectiveness. It is a balancing act. Doing all that has to be done to achieve that balance within certain short- or long-term frames is well beyond the capacity of any one person. CEOs are the first to concede their lack of omniscience or omnipotence.

Their dependence upon others is absolute. This dependence becomes manifest in their patterns of delegation, their approaches to decision making, and, probably most of all, in their more concrete manifestations of leadership.

Delegation

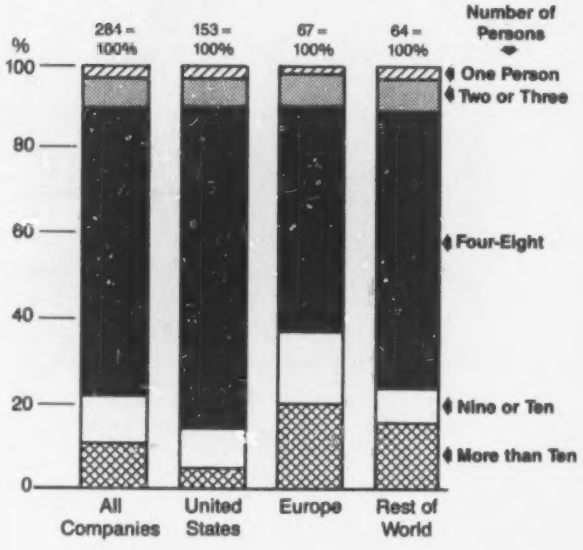
The most apparent evidence of the pattern of delegation is the number of people (aside from secretaries) who formally report directly to the CEO. The average number among the respondents is six—but roughly two-thirds have between four and eight people reporting to them. The range is from a low of one (in seven companies) to a reported, but unbelievable, high of 99 (in several banks whose multiple branches ostensibly report to the CEO). (See Chart 6.)

When there is only one, it is clearly the chief operating officer, whether the title be "president," "executive vice president," or "managing director." When it is two, three or four, the additions most often are the financial officer, a chief of staff, or another operating head, all of whom constitute, formally or informally, the "office of the CEO." When more than that number report to the CEO, it generally connotes a group of both staff and operating heads most of whom also constitute the internal "top management group," or management committee. And the number who so report generally satisfy the CEO's needs.[1]

[1] Fifteen years ago, The Conference Board asked whether the number was too many, too few, or just right. Only among those with more than nine reporting directly, did an appreciable proportion say it was too many; the overwhelming majority said the situation was just right. We did not ask the question again.

Chart 6.

People Reporting to the CEO



With respect to the numbers alone, there are only slight differences—primarily at the low end of the range—from the general pattern of 15 years ago: Slightly fewer CEOs report that only one or two people report to them. When looked at by region or size, the differences are just a bit more apparent: Only one out of 20 U.S. as against one out of five non-U.S. CEOs say more than ten people report directly to them. The medium and smaller company CEOs (less than $800 million in sales) report the smaller numbers. It is among the giants (above $7 billion in sales) that the number more often exceeds 10.

Criteria for Delegation

Far less apparent than "span of control" in any CEO's pattern of delegation are the criteria he uses to determine what he can, should or actually does delegate. Indeed, the term "criteria" implies a rational process that few CEOs seem to

bother with. Their criteria seem to be more intuitive and visceral than intellectual. When asked to enunciate criteria for delegating, for example, many respond by mentioning *what* they do delegate: for example, "tactical execution," "operating decisions," "implementing decisions," "technical and financial issues," or "decisions within previously agreed parameters."

Others emphasize the reverse—what they do not delegate: "Issues of concept and principle"; "policymaking"; or "decentralize that which has to do with physical things; centralize everything else, such as, resource allocation (including people) ethical standards, overall strategy."

However, comments from a good many CEOs do make more explicit the considerations that determine what and to whom they delegate:

"I delegate issues that *do not* have corporate-wide implications." "Delegate any matter that can be properly handled by subordinates"; or "Those questions that involve particular skills that are available from other managers."

—United States

Elaborating a bit more, a Canadian offers as criteria:

"What level of strategic significance is involved;

"The skills of others;

"The time available to me to make the decisions I must make."

Implicit and explicit in what and why they do—or do not—delegate are what might be considered their collective criteria. Four that were identified 15 years ago still prevail. In order of priority, they are:

(1) Confidence and trust in subordinates;
(2) Importance and impact on the total corporation;
(3) Time available;
(4) Novelty of the situation.

Confidence and trust in subordinates—While many CEOs talk of "specialized skills," "demonstrated competence," and "abilities of my subordinates" as determinants of their willingness to delegate, these terms are used to expressing varying degrees of confidence in their executives. And it is their confidence in their subordinates that is the prime determinant of willingness to delegate. This point comes through most strongly in conversations with CEOs—particularly those in turnaround situations. A high degree of delegation is synonymous with high confidence; decentralization becomes a shambles when the CEO lacks confidence in those to whom he has delegated responsibility.

When CEOs add "trust" to "confidence," they are even more willing to delegate. Indeed, to listen to the CEOs, "sharing" becomes a more significant term than delegation in such situations. CEOs invoke the term "trust" most often when they perceive common or similar values. A midwestern U.S. CEO claims that no substantial distinction in what he or his COO can do derives from a strong bond of common values. The trust he and other CEOs speak of is also based on long experience as a team: They can virtually anticipate that the judgment of the other members of the team will accord with their perception of the best interests and the character of the company.

While CEOs are most sanguine in delegating or sharing responsibilities when confidence is high, they have always emphasized delegation of ever-increasing responsibilities as the best way to develop subordinates and possible successors, and to test their confidence in them. Clearly, the latitude that today's CEOs allow key operating managers has broadened; the involvement in corporate decisions has been extended to include more subordinates.

The enlarged pattern of delegation is most noticeable when CEOs speak of their successors. In the waning years of their tenure, the responsibilities of the most likely successor are often tantamount to those of the CEO. For example, a U.S. COO observed virtually no difference in his job when he was finally appointed CEO: "I no longer had to go through the chairman to deal with the board." And several CEOs, whose confidence in their chosen successors is such that they can say "he's ready now," say they postpone the shift only because the board seeks "more seasoning" for the successor.

Possibly the only factor more significant than confidence in subordinates as a criterion for delegation is the CEO's evaluation of his own strengths, his own predilections. But even here, most CEOs are willing to subordinate their own strengths to the confidence factor: Given high confidence in a subordinate, they will most often delegate. Indeed, given the greater diversification into businesses in which they have little experience, let alone competence, they have to delegate. Lacking confidence in a particular executive, they still delegate—but to someone else.

However, there is no gainsaying the CEO's predilections. Subordinates know in which areas their bosses' claim special expertise—and realize that the delegation in those areas carries strings. The clues are the CEO's volunteering: "I'm here to help you—to give you the benefit of my experience"; or the more pointed: "They'd be foolish not to benefit from my experience."

Importance and impact on the total corporation—Edmund Pratt of Pfizer (United States) puts it most succinctly: "I don't want to find somebody betting the company without my being involved." Decisions and/or actions that carry a high risk for the company—now and in the future—are just not delegated by the CEO. In most companies, limits of authority on capital commitments, dollar expenditures, contracts beyond certain time limits, and hiring of various levels of personnel preclude truly disastrous mistakes from being made by anyone other than top management and the CEO. But there are CEOs not satisfied with the adequacy of such precautions or constraints. Erik Rasmussen, CEO of F. L. Smidth (Denmark), insists that spelling out the limits can encourage evasive actions; for example, two $90,000 commitments when a formal limit for anyone expenditure has been set at $100,000. He insists that anything of real impor-

tance be brought to his attention—and judges his key people on their ability to recognize what is important.

A CEO in Germany says: "I get furious when important things aren't called to my attention."

"What is important," what may have an impact on the future viability and credibility of the company, obviously varies from time to time, from situation to situation. The noise level of aircraft taking off and landing at New York's J. F. Kennedy Airport, for example, is deemed of crucial importance to the Port Authority of New York and New Jersey.

And separating "what is important" long term from short term emerges as an exercise in sophistry. "The long term is just a series of short terms" is more than just a cliche to CEOs who voice it. So it is largely the CEO's judgment about the possible consequences of decisions that prevails. Their concern is for the future—as evidenced by the high priority they give to decisions and actions that affect the direction in which the company is headed: capital investments, acquisitions and mergers, and high-level personnel. But their concentration is on the present; hence the practical priority—measured in time—they give monitoring and evaluation, wanting "no surprises."

Time available—Whether he does it well or poorly, the CEO can control his time allocations. But he has no control over the absolute number of hours in a day or week. Even before they became CEOs, the group that reaches the top worked long hours and long weeks—and that schedule continues once they are in the top job. Fifty-sixty hour workweeks were the norm 15 years ago; there is little reason to believe the pattern has changed.

But once in the CEO position, the different demands upon their time and the scale of operations they head force them to reappraise and reallocate what they delegate. The process is most apparent among CEOs whose once-small companies become larger, more complex, and more visible to the community. Their involvement in operations wanes, often the responsibilities that gave them the greatest security have to be delegated to others.

Novelty and the unexpected—The new, the undefined, the unexpected also comprise what amounts to a criterion that CEOs use in deciding what to delegate. It is stated, explicitly or implicitly, in various ways. A Finnish CEO says, for example, that he delegates matters "that do not present any special problems." Similarly, a Belgian volunteers he will not delegate "unforeseen events." From Ireland, a CEO offers as criteria: "ability of executives to take responsibility; personal attitudes; clarity of problems; and identified solutions."

"New" in this context, is exemplified by Abe Krasnoff of Pall Corporation (United States) who insists that he retains responsibility for all new high-risk ventures. "I won't impose a new high risk on any established unit, and I assume responsibility until it has proved itself."

The "undefined" comprises events or situations—and there are more and more of them—in which too little corporate experience exists to have established some guidelines, let alone standard operating procedures: the sabotage of a product, as per the Tylenol incident at Johnson & Johnson. For a good many CEOs, external pressure groups fall into that area. And the unexpected, these days, can often come in the form of an unsought takeover bid—at which point all other responsibilities assume secondary importance.

Indeed, if the management of ambiguity is, as many claim, the thrust of today's management, it is those discontinuities that spell "crises"—which may be a better term than "novelty"—that are a particular province of the CEO.

These four criteria are by no means mutually exclusive—or all inclusive. Novelty that has little impact on the organization does not count. Time spent is a function of relative importance. And all these matters are highly subjective. That is probably why many CEOs would agree with the U.S. executive who answers the question on criteria with: "Impossible to define beyond experience and the desire to delegate as much as possible"; or the Finn who simply says: "I delegate all matters that must not be attended to personally by me." The latter comment helps explain why the location and design of the corporate headquarters, the facilities of the executive gymnasium, the choice of sculpture that decorates the building, and the country-club facilities are so often matters that the CEO entrusts to himself.

The Critical Options

Obviously, a multiplicity of variables goes into the CEO's determination to delegate. But having delegated, how does the CEO—or any superior—react when a key decision is about to be made by a subordinate?

To get some clues, a number of CEOs were asked to participate in a game of "blacks and whites." The variables were reduced to just two determinants of the CEO's response:

(1) The CEO's confidence in the executive—"lots" or "little"?

(2) The CEO's own competence, familiarity, or know-how in the area under the executive's supervision—"lots" or "little"?

What does a CEO do in each of these four situations? The accompanying diagram summarizes the options. Underscored in the comments of the CEOs is the crucial importance of the confidence factor. Indeed, several of the CEOs had difficulty even contemplating situations in which they might have little confidence in their key subordinates: "I know all these people so well—we've worked together so long—I have confidence in them"; or "He must have something or he wouldn't have gotten this far"; or "Maybe he's new and we've got to have a bit of patience as he moves up the learning curve." It was only after they were reminded that the subordinates might be some that they had inherited, rather than those they had appointed, that they were willing to speculate on their actions. Similarly, several CEOs who had recently come from outside the company had less difficulty with the "little confidence" area.

Whether the CEO felt he knew little or knew a lot about

the area, if "little confidence" existed, the determination was essentially the same—the person goes. The only question seems to be how soon. It happens a bit more slowly if the CEO is prepared to substitute his know-how—or that of others. It happens fast if the CEO has no experience he can bring to bear. In either situation, the CEOs speak of sending in task forces or planning teams to raise questions, to ferret, and to provide reassurance about a prospective action.

Getting a bit more specific, in the "no confidence—little personal know how" (Quadrant I), the CEOs were terse:

A German CEO says; "He's out." "Either get out of the business or get a new man" from an American. "He wouldn't be there very long" comments a Canadian, who adds "but to deal with the immediate issue, we would send someone in we can trust—temporarily—somebody who is my arm, my extension." And a Hollander, who says "replace him," finds that "operating with collective decision making through a management board is a great comfort in situations like this."

Even when the CEO is able to bring his own know-how to such situations (Quadrant II), at least one said: "I'd still get another man. I don't want anyone in whom I have little confidence". More often, the CEOs are willing to step in temporarily. A CEO from Denmark concedes: "He gets a second chance, because I involve myself more." An American reflects: "If it's a minor situation, I live with him, we become joint architects so he retains some sense of responsibility. If it's major, he goes." However, a Canadian contemplating Quadrant II shakes his head and warns: "This is a very dangerous situation—because of your own experience, you know a lot can go wrong. Yet you might not be exercised to the point of doing something about it. Your faith in your own competence might cause you to temporize. Any point on the left side of your matrix requires replacement."

Moving to the right side of the matrix—where they have lots of confidence in the executives—makes their options easier. Virtually all CEOs treasure such people. But knowing lots or knowing little presents different sets of complications. For example, when there is great confidence in the executive, but little personal know-how or experience—the best of all possible worlds for the subordinate—CEOs admit to a nagging concern about whether that confidence can continue to be justified. A German CEO, for example, having said: "In that situation (Quadrant III), I'm perfectly happy—I delegate, let him run"—paused, then added: "I'll try to get enough know-how to support my confidence." A Canadian's amendment amounted to: "I can't have the same level of confidence (as Quadrant IV) because I lack sufficient knowledge that I can use as a basis for my judgment." And an American insists he would try to move the relationship to Quadrant IV.

Having achieved such a relationship—lots of confidence plus lots of know-how—raises a different test for the CEO: Can he resist providing counsel based on his own experience—also known as "butting in" in the subordinate's phraseology? A U.S. CEO puts it most graciously: "This is possibly a difficult situation because of the CEO's willingness to help." Another: "It's going to be more participative." A third is a bit more specific: "I'm most comfortable here. There's going to be lots of arguing or even disagreement, but generally I'll go with the guy." A fourth American fills in a few gaps: "I try to be as persuasive as I can, remembering it's his responsibility in the final analysis. I try to give him the benefit of where I've been. I try not to be a pain, but it may get to that if he's stubborn and can't see the forest for the trees. I know I should let him go, but I can't lose sight of the fact that I know a lot about that territory." And a Dane concedes: "It calls for almost inhuman force to keep your fingers out." A Britisher warns, "Bear in mind, your knowledge may not be up-to-date." From the Canadian comes a reminder: "It's terribly wasteful for me to do the same job he's doing." And an American summarizes: "Hold yourself in check, let him run."

	Confidence in Subordinate	
	Little	Lots
CEO's Know-how or experience in area Little	I Replace the individual	III Hands off; Let him run
Lots	II Substitute personal judgement — But replace the individual soon	IV Hold your tongue Let him run — Give person benefit of your experience

Decision Making

Humility is not a characteristic often associated with CEOs. But they concede it when confronted with the implications that flow from large, corporate wide decisions. Assembling and weighing all the information necessary to make informed judgments that have large implications is beyond the capability of the CEO alone. Participative decision making at the top gets far greater emphasis than ever. Indeed, the loneliness that so many CEOs still profess is felt most forcibly when participative decision making has not made the right answer evident—and the CEO must decide.

The degree of participation varies, as do the terms used to express it. "Collegial" is an acceptable term—so long as it is understood that the CEO, as one put it, "is less equal than the others." "Collective" is descriptive of the process, with the caveat that the CEO can decide when time has run out—a decision can no longer wait. And "consensus" is ac-

ceptable so long as it is understood that "we don't take a vote"; or "it is not a Quaker-style meeting." As explained by Mr. deWindt: "You are not going to sit down with seven or eight people, discuss an issue, and when you get all through say, 'Well, we can't make a decision, because we can't get a consensus.'"

Despite the overtones that certain terms carry, most CEOs, when asked to categorize their general approach to decision making at the top, check off: "I listen to recommendations and arguments, then I decide"; or "I develop a consensus with which I can agree." Rarely do the CEO's go with a decision "even if I personally disagree" or "bow to the most competent person." (See Chart 7.)

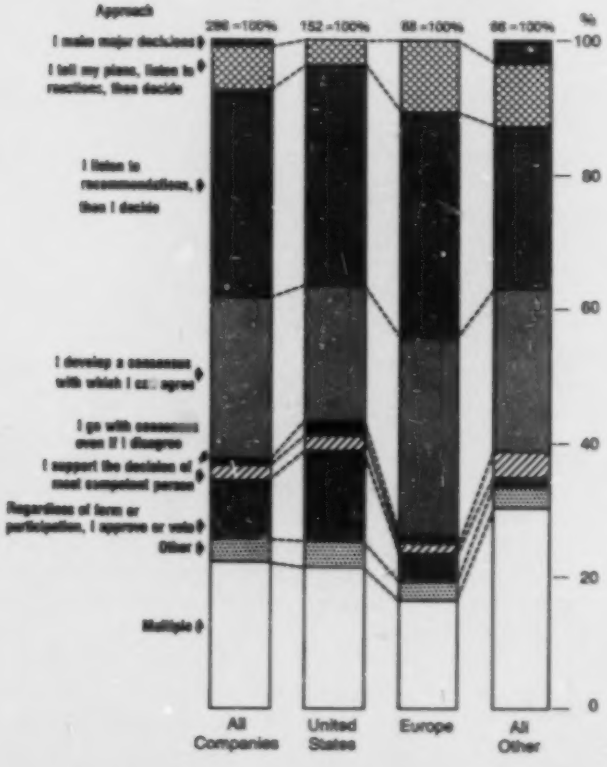
Undoubtedly, at one time or another, the CEOs who answered have used every one of the choices offered in making a particular decision. Fully 20 percent, for example, checked off at least two or more of the approaches offered.

To the extent that the only difference between "listen and decide" and "consensus"—or some of the other choices—may be largely semantic, the only substantial difference shows up on a regional basis: Among U.S. executives, noticeably more (13 percent compared with less than 5 percent in the rest of the sample) check off "regardless of whether it's consensus, group sharing, or major delegation, I approve or veto."

Reducing the CEO's decision-making process to these cryptic statements and choices highlights the emphasis on participation. But it vastly understates the complexities of

Chart 7.

Approach to Major Decisions



the process and the variety of emphases that the CEOs bring to their choices. In conversations, more than one CEO voiced an exasperated: "It's not that simple. It just doesn't work that way."

How does it work? Conversations point to "Regardless of how reached, I approve or veto" as the dominant answer—although "veto" may be too strong a word for the CEO who says: "We'll talk about it some more." However, what the CEOs emphasize as all important is *the process*—the involvement of others in reaching the decision. This may be why Europeans more often say they "take" rather than "make" a decision. Thus, to encourage participation, few CEOs reveal their thoughts at the outset of the process. As de Windt commented: "I was too quick to let people know my conclusion—you don't get the benefit of their input. They aren't going to fight city hall." To forestall the "yes men" that all the CEOs deride, they don't "tip their hands"; they do keep "an open mind" which, as Abe Krasnoff explained it, means: "You generally know where you want to go, you have a position—but you're willing to modify it based on sound arguments."

As for developing consensus, the important point is that it be one *with which I can agree.* Paul Staley remarks: "I can't go to the board and recommend an action if I'm not in agreement." And consensus, the committed insist, usually makes the right decision self-evident when achieved through constant questioning and discussion. As Geoffrey Simmonds explains: "When intelligent people talk to one another and ask the difficult questions, the chief executive officer doesn't have to say, 'Gentlemen, I have decided that this is what we are going to do.' Instead, the chief executive winds up verbalizing what is clear—what the senior-executive group has come to be committed to!'"

Still, the significance of the CEO's personal agreement is revealed by several CEOs who, though committed to consensus or collegial decision making, can think of no decision reached during their tenure with which they have not agreed. The very few who acknowledge going with a consensus while still privately demurring react, as does Harvey-Jones, who says: "I'll go in other directions so long as they are compatible with my ultimate visions." And despite their push for consensus, virtually all will hold back—as does Harvey-Jones—on matters "I feel desperately about." Edwardes, for example, in restructuring British Leyland in order to revive its Jaguar, Austin and other brand-name units, commented: "For the only time in my business career, I imposed a decision on senior colleagues against an overwhelming majority view."

Why Participative Decision Making?

Why the emphasis on high participation? In some countries it is mandated. In West Germany, Holland, Austria, as examples, law vests management of the company in a small top group, selected by the supervisory boards, that collectively makes the large decisions. As AKZO's A. A. Loudon (Netherlands) says: "It's our way."

However the legal situation may precondition the CEO to a more collegial or consensus approach, it is the reality of conducting business in today's environment that has dictated the strong trend to heavy participation at the top. Of the many vectors that can be cited; for example, changing employee aspirations and expectations, more highly educated and trained managers, increased and more dispersed specialization, and so on and on; three stand out as most compelling for the CEO:

(1) Less intimate knowledge of the business(es) they head;
(2) Greater decentralization in restructuring business; and
(3) Implementation is "the name of the game."

Knowledge of the business—The "know it all" that went with those who built their own businesses from the ground up—with their own begged or borrowed money—is long gone. Most of today's CEOs were not there when the business was created; they are not familiar with all the nooks and crannies, especially since the nooks and crannies have multiplied with the vast changes that have occurred even during their own service with the company. ICI (Imperial Chemical Industries), to mention just one company, is a vastly different composite of businesses than it was fifteen, ten, or, even, five years ago. And even though Harvey-Jones has been with ICI for many years, today he acknowledges: "We're in about 500 different businesses. I can't possibly know enough to make the necessary decisions."

The pressure for more participative top-management decision making clearly increases with size, diversity and regional growth. It shows up not only in the internal management, but in the CEO's reaching for more competence in their board members and the addition of such bodies as international advisory boards.

Greater decentralization—Having restructured the total corporation into smaller business units, having delegated far greater responsibilities to the heads of these units, the chief executive perforce has to rely upon them for much of the information essential to the big decisions about general direction, capital investments, new markets. As William Verity reflected: "Group vice presidents . . . really are your eyes and ears."

In these circumstances, participation clearly becomes a manifestation of the deployed competence in which the CEO has such great confidence. But it goes beyond that to a recognition that what is delegated is within a framework of overall corporate constraints—generally called "policy." There is a general recognition that those who must live with such constraints should have some say in their formulation. It is a necessary ingredient of the commitment so avidly sought by the CEO.

Implementation—through commitment—"When the Japanese make a decision, their speed of implementation boggles the mind." That contention from Geoffrey Simmonds is reemphasized by several CEOs. Another U.S. CEO says: "Remember now, the boss can't execute, and execution is 90 percent of the game. I'll give you 100 game plans; I want the one that most people agree on . . . What we have learned the hard way is that conceptual (planning) needs to be done with the full involvement and understanding of those who have to implement."

And a European warns: "It would be easier for the CEO to take the decision, but if he does it without searching for the consensus of others, he could be left high and dry. The others will say: 'That's what you want boss, you get it—but you also take the consequences.'"

The virtual helplessness of any CEO to implement a grand—or a not so grand—design forces his reliance on others. And what they know is that without commitment, there is feeble follow-through or even sabotage of the plans. Of the factors forcing participation, this need for commitment surfaces most strongly. it is apparent in the willingness of several CEOs to adopt a "less-elegant" solution if it is one that gets greater commitment from those who have to carry it out.

There is a fourth factor that may well be implicit in the other three but still warrants mention. For all the CEOs exalted status and the self-confidence they exude, there is some uncertainty—some insecurity—that surfaces when the CEOs are willing to be a bit more introspective. A Swede, a number of years ago, commented: "The job gives the man suspense." Thornton Bradshaw acknowledges it today and offers as one reason: "Walking the tight rope between short-term results and the absolute necessity for a long-term positioning . . . Any executive who doesn't suffer from that dilemma . . . does not know what the score is."

And A. A. Loudon turns it around: "Collective responsibility," he says, makes possible certain long-term decisions that he, alone, might hesitate to make, "but we will do it . . . All by myself, even though I felt it right, I'd have to do a lot of explaining . . . or I might say, 'I'll pass it up and go for immediate results.'"

Leadership

Leadership is a role that is thrust upon the CEOs. It is how they get the job done. It is an ingredient of the job that can be abdicated—but not delegated.

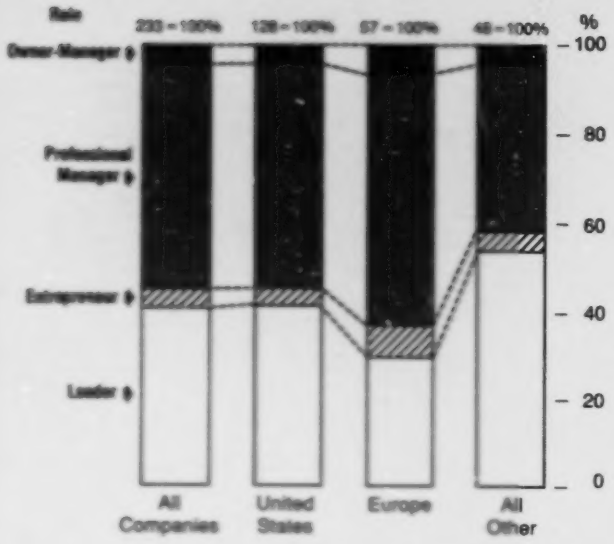
CEOs have far more succinct definitions of leadership than do those who study it. A U.S. CEO, for example, relies on a simple tautology: "A leader leads!"

Others consort with the muse. A poet's line "the masterful administration of the unforeseen" is, leadership to Sir Trevor Holdsworth, CEO of GKN (Great Britain). For many CEOs, leadership is strictly a pragmatic proposition: "Leadership is defined by success—you just can't separate the two."

Practically, CEOs emphasize that perception is more important than definition: Leadership exists in the eyes of others. Simmonds, for example, insists: "You can't be in a position where people perceive you not to be leading, that other people are leading." Loudon makes a similar point: "It's a question of whether the organization sees you as just one of the four (members of the management of the board) or

Chart 8.

Primary Role



the strongest of the four. I make it clear to my colleagues that I will do everything possible to function as a team, but that I am also leader of the team."

In a sense, mere definition begs the question. It is what happens—what the CEOs actually do—that is the substance of their leadership. Asked that specific question, CEOs often pause, one responded: "Ask my people."

But from their many and varied answers, these few stand out as most critical:

(1) *Choice of the executive team:* Without what the CEO deems the "right" people around him, he is not going to lead anyone anywhere. The CEO's ability to assess the type of people required—and not required—to push the company forward, to recruit and keep them, emerges as the most critical element of their leadership. In virtually every conversation with CEOs, the emphasis on getting a good-top management team stands out. Edwardes underscores it in talking about salvaging BL: "Good managers and management was the 'sine qua non'—you couldn't get the industrial relations or government side right without getting that right."

(2) *Articulating direction:* "Direction," "vision," "mission" are clearly what the CEOs see as their key function. But their leadership is displayed in articulating that mission, inside and outside the company.

Evidently the enthusiasm and conviction with which the CEO conveys the message carries more weight than the nature—the products or services—of the company's mission. Interpreting the company's purpose in ways with which employees—and others—identify spells leadership.

Walter Light supplies some graphic terms: "A strategy has to be something that you understand and everyone of your divisional managers understands. The moment you make it complex, forget it. If you want to get any kind of result, the loneliest follow in the organization better be able to touch, feel, smell and kick that goal, too." John Emery says: "I'm the cheerleader."

(3) *Gaining commitment:* Rene Tang-Jespersen of the Great Northern Telegraph Co. (Denmark) says: "My leadership is really tested in getting the commitment" of managers and employees. Asked when he feels he really earns his pay, James McKee, Chairman of CPC (United States) answers: "When I have been able to convince a group of your executives to a direction or a program—or to get a change in what we have been doing, or the way we have been doing it."

Of course, the participation in decision making is the means. But CEOs make clear that theirs is not just the moderator's role in that process, even though—as in the case of a German CEO—that is how he labels himself. He explains: "You must have the better argument—that's the key to working with other people." Or as John Emery sees it, initiatives that the CEO himself provides spur commitments.

(4) *Communication:* Everything that the CEO says or does communicates—and reverberates. To most, this involves the big picture, plus straight talk about the problems and opportunities that confront the company. "We recognize they are adults" is a favored phrase. But, it goes well beyond that. As distinct from the communication involved in articulating the mission or cheerleading the group, what is involved here, in Simmonds words, is "a sense of caring, not only about the success of the company but about the people who are—not meaning to be corny—part of the company family." Abe Krasnoff sits in his suburban New York office but calls a newly promoted third-level supervisor in South America to offer personal congratulations. A bit later, he says he doesn't believe in "pep talks" to the troops—but then hammers his point: "You've got to be able to hear the cries of pain from the field."

(5) *Personal values:* "I'm very demanding but fair," says Simmonds. While CE's emphasize toughness in setting goals and appraising results, there is a difference, de Windt emphasizes, between tough and mean and tough and fair. "I like to feel I'm tough, but fair."

"I'm frightened of being taken over by power," says Harvey-Jones, ". . . I try to be a sort of guy that I would be prepared to live with. I just don't want to be corrupted."

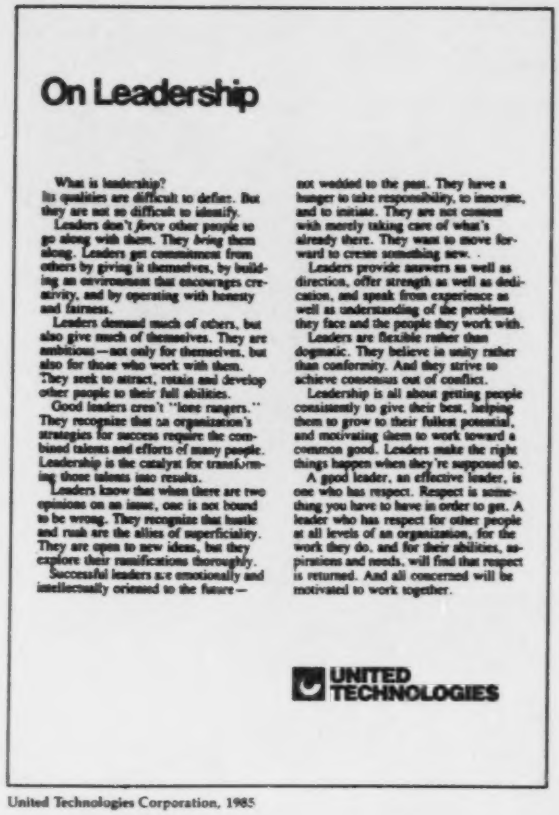
Asked how his leadership manifests itself, Olivier Lecerf says: "I don't know." But, after pondering, adds: "I think there may be one thing. I have personal values; one of my values is tolerance. I think a lot of people have values different from mine. I get the loyalty of the Lafarge Coppee management and its people because they believe I have a set of values and, rightly or wrongly, I try to live according to those values."

Thornton Bradshaw sums it up: "He is a person whom they can follow with enthusiasm because he is a moral man in the sense that they recognize morality. The tone he is setting for them is one they're not ashamed of. They can say, 'That's the way I want to live.'" To Bradshaw, the leader's value system is "number one."

Let's Get Rid of Management

People
don't want
to be
managed.
They want
to be led.
Whoever heard
of a world
manager?
World leader,
yes.
Educational leader.
Political leader.
Religious leader.
Scout leader.
Community leader.
Labor leader.
Business leader.
They lead.
They don't manage.
The carrot
always wins
over the stick.
Ask your horse.
You can *lead* your
horse to water,
but you can't
manage him
to drink.
If you want to
manage somebody,
manage yourself.
Do that well
and you'll
be ready to
stop managing.
And start
leading.

United Technologies Corporation, 1984



On Leadership

What is leadership?
Its qualities are difficult to define. But they are not so difficult to identify.

Leaders don't *force* other people to go along with them. They *bring* them along. Leaders get commitment from others by giving it themselves, by building an environment that encourages creativity, and by operating with honesty and fairness.

Leaders demand much of others, but also give much of themselves. They are ambitious—not only for themselves, but also for those who work with them. They seek to attract, retain and develop other people to their full abilities.

Good leaders aren't "lone rangers." They recognize that an organization's strategies for success require the combined talents and efforts of many people. Leadership is the catalyst for transforming those talents into results.

Leaders know that when there are two opinions on an issue, one is not bound to be wrong. They recognize that hustle and rush are the allies of superficiality. They are open to new ideas, but they explore their ramifications thoroughly.

Successful leaders are emotionally and intellectually oriented to the future—not wedded to the past. They have a hunger to take responsibility, to innovate, and to initiate. They are not content with merely taking care of what's already there. They want to move forward to create something new.

Leaders provide answers as well as direction, offer strength as well as dedication, and speak from experience as well as understanding of the problems they face and the people they work with.

Leaders are flexible rather than dogmatic. They believe in unity rather than conformity. And they strive to achieve consensus out of conflict.

Leadership is all about getting people consistently to give their best, helping them to grow to their fullest potential, and motivating them to work toward a common good. Leaders make the right things happen when they're supposed to.

A good leader, an effective leader, is one who has respect. Respect is something you have to have in order to get. A leader who has respect for other people at all levels of an organization, for the work they do, and for their abilities, aspirations and needs, will find that respect is returned. And all concerned will be motivated to work together.

UNITED TECHNOLOGIES

United Technologies Corporation, 1985

There are exhaustive tomes on leadership. The above are the points that the CEOs themselves stress when asked "how does your leadership manifest itself?" Notable by its absence from their volunteered comments is the over-used word "charisma."

Some CEOs consciously practice their leadership skills; for others, it is the normal way of doing things. They know that whether it works—whether what they do makes them "leaders"—rests with the results achieved: motivated followers plus the markets' appraisals.

Professional Managers or Leaders?

Fifteen years ago, when CEOs in a similar survey were asked to characterize themselves us owner and manager, entrepreneur or professional manager, the large majority checked "professional manager." Bowing to the current semantic vogue, the current survey added the term "leader" to the choices. (See United Technology's advertisement.) Result: two-fifths checked off "leader," while half stick with "professional manager." And, despite the emphasis on the need for entrepreneurs, only about 5 percent are willing to accept that label. (See Chart 8.) The choices were not mutually exclusive: Almost one-fifth. more often CEOs of smaller companies, check more than one—usually "owner manager" and "professional" or "leader."

The fact that the questions were in English may account for some of the variation. For example, the smallest proportion choosing "leader" were those in Europe where leader, at least in the Germanic languages, translates to "Fuehrer." And diffidence, judging from conversations, also plays a part in the European responses.

A bit more apparent are the variations by size and character of the business. The proportion of CEOs who choose "owner-manager" and "leader" is greatest among the smaller companies (i.e., below $800 million in sales). And none of the CEOs of the very large companies (more than $3 billion in sales) labels himself an "entrepreneur."

Inasmuch as fully 90 percent call themselves either "professional managers" or "leaders," the tantalizing question is what substantive difference—if any—is there between a CEO who considers himself a leader as opposed to a professional manager? One has to search hard for distinctions in their stated priorities. *There are no differences in the order of importance* both groups attach to the key functions. There are only slight differences in the "numbers." For example, two- thirds of the "leaders" rank external relations among their top five responsibilities compared with slightly more than half the "professionals managers."

When it comes to *time* allocations, however, the only notable difference is that "leaders" more frequently rate "people" among the top five (87 percent for leaders to 76 percent for professionals). These differences in proportion, however, do not alter the overall picture; both groups have virtually the same order of priorities.

They think alike too, on the optimum period that a CEO should serve: exactly the same proportions (20 percent) called for a five to nine-year term and for a ten-year term (35 percent). Indeed, the similarity in choices of shorter optimum periods among the professional managers and the leaders distinguishes them from the owner-managers and entrepreneurs, two-thirds of whom opt for more than 10 years.

So what's the difference between "professional managers" and "leaders?" When applied to today's CEO, virtually none: it's semantic. But it is highly substantive when the CEO's look at what used to be.

Some CEOs laugh it off: "I thought professional managers were supposed to be leaders"; or "It's a tautology" (this from a Britisher); or "Leader sounds too pretentious—it's too big" from the more diffident Europeans. Others offer the more considered: "Every CEO is part entrepreneur, part professional, part leader—as the occasion demands." A German, who wants his tombstone inscribed, "professional manager and leader," says: "I'm a leader when I introduce a new program or project, when I go out and explain a new direction. I'm managing when I have to see to the follow through—the appraising and all that." And, as Verity comments: "Every CEO wants to be considered a leader."

But, continues Verity, changing times have forced a change in emphasis: "A leader motivates in ways other than a professional manager, who feels that motivation is principally a function of rewards. If you lead your team, you feel you bring something special in the way of culture to your company; you're adding a dimension to the quality of life of those people and of the corporation."

Others note that the term professional manager has been vitiated by changed business conditions. Sir Trevor Holdsworth reflects: "The professional manager emphasis arose during the 1950's, 1960's, and 1970's—very easy periods when you thought you could plan on certainty." In today's more volatile circumstance and less bureaucratic systems, he adds: "The leadership emphasis comes out."

A U.S. CEO argues that the difference is not between the professional manager and the leader: "If the chief executive isn't a leader, who the hell is?. . . .The distinction should be between administrators running something in place versus change makers. . . .Leadership is an exercise in change."

Walter Light, in no uncertain terms, concurs: "There can only be one leader in a corporation. A leader is an individual who changes the direction in which a corporation is going. A manager is an individual who achieves those objectives by working through people. An administrator is an individual who says: 'For God's sake, the boss says do it, so do it.'"

It is change and the emphasis on managing change that more CEOs see as the substance of leadership and the mark of a leader. Edwardes concludes: "If there is any touchstone to human attitudes, that touchstone is change. How nations, how businesses, how men and women come to terms with change is a measurement of themselves."

Chapter 4

Perceptions of the Job

"UNTIL you do it—you can't feel it" offers a U.S. CEO in citing the uniqueness of the job. But a European CEO, like many others who have been at the slippery peak, warns: "The line between hero and goat is awfully thin."

Why Seek the Job?

Precarious though that peak may be, it is a position that was avidly sought by virtually all of the cooperating CEOs. Their motivations are in no way affected by national boundaries or time. The reasons offered for wanting it are virtually the same today as 15 years ago. Then and now, even to ask "Why did you want the job?" is naive. A European, for example, retorts: "Why not?" A U.S. executive answers: "Who wouldn't want to be boss?"

Indeed, if there is anything remarkable in the responses to this ingenuous query, it is the degree to which CEOs from all parts of the world are beginning to sound more like those in the United States when they explain what drives them to be "Number One." A Latin American and a U.S. CEO use the same words: "I wanted it." A Philippine offers: "Attainment of my goal." A West German says: "My aim was to grasp it all along."

Why did they want it? "Challenge" is the most frequent one-word answer. Few find it necessary to elaborate any further. Those who do, like those who say, "I wanted it," reveal a motivation stronger than the desire for challenge: They did not want to settle for being "Number Two."

A Canadian says: "I wanted to run my own show."

* * *

"A life-long objective, vanity. If I didn't accept, I would have been working for someone who previously worked for me." —United States

* * *

"After working over 20 years, it was natural that I desired to be CEO, which is the ultimate position." —Canada

* * *

And the "challenge" that so many look for translates to opportunity:

"The challenge as well as the privilege of serving as CEO of a major organization and the opportunity to carry forward with a strategy that I helped to formulate."
—United States

"Challenge; duty to serve the community; best use of my abilities; an opportunity to create a better future"—Australia

* * *

"It offered an opportunity to implement what I believe about leadership." —West Germany

* * *

"Challenge of running one of the world's major natural-resource groups—one held in esteem throughout the world."
—Great Britain

* * *

Two comments amount to a summary of the vast majority of CEO's sentiments on their wish to be "Number One":

"I wanted the challenge to achieve and build, and the personal satisfaction of running and dominating the course of the company." —United States

* * *

"Money—influence—prestige." —West Germany

* * *

Relatively few responses reflect any substantially different emphases. A few are low key, like a Swede who merely says: "It was an attractive job offer—in all respects"; or a Colombian who responds: "It was a promotion"; and the Taiwanese comment: "I was adequate for the situation."

A few others reflect a sense of mission or duty: "Vocation" answers a CEO from Holland. "Family, a sense of mission" or "family obligation" is mentioned by just a few. Indeed, the lesser emphasis on "family obligation" is one of the small differences in the responses of todays' CEO from those of 15 years ago.

But what is most pervasive and persuasive in both the questionnaire responses and the interviews is the thought that the CEO's position—while once a sinecure for some—is the spot where driven and ambitious people can make things happen.

More or Less than Expected?

Having achieved the top spot, is the job bigger than they expected? For the large majority, the answer is "no." Most of the incumbents had been promoted from within; had previously been the "Number Two" person or part of the inner circle including, in many cases, membership on the board. Most had shared in the top management decision-making process. And even though, as the CEOs attest, the "gap be-

tween 'Number Two' and 'Number One' is large," the gulf is not quite so great as it used to be. Changes in structure and decision-making processes have created numerous positions whose responsibilities approximate those of the CEO.

But fully one-fourth of the responding CEOs found the responsibilities greater than they had expected; only 1 percent found them less than expected. The reasons offered are sometimes personal, more often situational.

On a personal basis, for example, a German says: "The job carries more personal responsibility than I had anticipated." A U.S. CEO had not expected so great a demand on his personal time. A European finds: "I am expected to know more than I possibly have any real possibility of doing." A U.S. CEO volunteers that recognizing and nurturing potential among managers is one of the chief difficulties, and he found, "I wasn't as good at it as I thought I was." And a Mexican just had not realized the significance or weight of the "large trust placed in me by people in the organization." A U.S. CEO finds he has "more responsibility for employees' personal lives" than he had expected.

Far more often, CEOs mention "changes in the industry have been greater and have changed faster than expected." "Ambiguity," "complexity" and the "restraints imposed by government" are the other reasons why some CEOs, U.S. and non-U.S., find the job responsibilities greater than expected.

Problem Areas

Whether greater or less than expected, what the CEO recognizes is that part of his balancing act is dealing with:

Big problems—"big" in the sense that they are continuing concerns that are not easily resolved.

Lesser annoyances and frustrations that go with the territory.

The Continuing Problems

The problems that CEOs identify as those they find most perplexing are either external—and largely beyond their control—or internal changes that can not be accomplished by fiat, directive or scheduling mechanisms. They take time and call for what an increasing number of CEOs refer to as "changing the culture."

Asked to cite their most perplexing problems, a few single out "union relations"; a few more mention "media." But like yesterday's CEOs, incumbents today most frequently mention four areas:

(1) *Government:* In all its forms and regulations is a continuing problem—when it operates as a constraint on the particular company or when it fails to provide support.

In the current environment of international trade, protectionism looms as the largest issue. Overall, the adversarial relationship that has long characterized business-government relationships, though still quite strong, is giving way to a new reality. Sir Reay Geddes, as already mentioned, sees an ever-increasing role for business in assisting government by pointing out more workable ways of achieving certain goals.

And Bradshaw elaborates that while peer pressure forces CEOs to make speeches berating government, "The absolute fact of life is that we are in partnership with the Federal Government, with municipal governments, with towns and cities in which we operate. We have to satisfy them, and they have to help us. That's the reality!"

(2) *Finance and marketing:* Money—getting, deploying, conserving it—has always been a concern. "Finance" is the one-word summary used to connote this overall problem of optimizing financial resources. What has aggravated the concern in recent years is summarized by a Swiss: "currencies and exchange rates."

And, even though the marketing revolution is now past history, a considerable number of CEOs still cite "converting our company to a market-oriented stance" as a continuing problem. Just as often, it is not a matter of converting but of attempting to cater to a peripatetic and fickle market, easily seduced by a competitor. New products are at the heart of what these CEOs see as their marketing problem.

(3) *Long-term, short-term balance:* One Canadian CEO phrases it: "To structure an organization to fit a twenty-year rather than three-year future. To anticipate, not to react." In this context, various CEOs just label the problem "strategic planning." But it is clear from conversations that it is not the planning process itself that they are talking about. Most have instituted a well-ordered system that calls for much information, much discussion, and much paper moving back and forth. Rather, it is weighing longer-term requisites against short-term imperatives. Bradshaw referred to it as a basis for the CEO's insecurity. An Australian's phrase is: "The need to plan and act in the long term in a society that emphasizes short-term and painless options."

(4) *Executive Development:* By far the most frequently cited continuing headache is assuring an adequate supply of high-level managers, capable of dealing with an uncertain future. Most companies of any size have formal or informal executive-succession plans and programs. The CEO's concerns are with the results of these efforts.

It is a concern because, as already indicated, many of these CEOs will judge their success on the basis of the management team that takes over.

Isolating these as the four major problem areas neglects a fifth, far more encompassing, problem that is implicit in some comments, quite explicit in a few others. "Culture change" and "change agents"—terms fashionable among organization-development specialists—crop up more frequently among some of the younger CEOs—and those brought in from the outside. Most often, it is mentioned when the continued viability of the company depends upon a substantial change in almost all the critical elements of the business—and most formidably in changing the outlook and behavior of the overall work force. The very ambiguity of the term is designed to indicate its broad scope. For one U.S.

executive, it amounts to "organization issues; developing a small company response and flexibility in a large organization." To another, it is "managing a large inflexible organization in its transition to a market-responsive entrepreneurial one." Holliday asserts his job was to move the company from a "5-5" mode to a "9-9" position.

Understandably, it is among companies that have longer histories, long-standing and unquestioned traditions, but that are currently threatened or withering in global competition that CEOs see "culture change" as *the* big problem. In the words of a U.S. CEO: "The endemic problem of the U.S. manufacturing sector is that it has, for a variety of reasons, become noncompetitive in the world environment...we have to restructure virtually every habit we've learned....If we don't have a major commitment (to change), we are going to atrophy...."

Some of these large and continuing problems also become part of what CEOs find least satisfying about their jobs. For example, a U.S. CEO, in answer to the specific question, "What do you find least satisfying?" responds: "Trying to plan corporate direction meaningfully in an environment of great uncertainty caused primarily by U.S. and foreign governments' increasing involvement in our business."

The Smaller Problems and Annoyances

Most often, what CEOs find least satisfying, however, is not wrestling with the big problems but with petty details, the annoyances that rob them of time to address their real priorities. As one U.S. CEO answered: "Anything that requires time spent on details." "Paperwork" and "ceremony" are the two annoyances mentioned most often. Some qualify them a bit: "unnecessary paperwork" (United States); or "trying to get the right information to break the system" (Latin American); or "writing letters to important but not helpful people" (West Germany). And "ceremony" expands to include: "external activities not directly related to the business" (United States) or, in the words of a Belgian, "social and business functions; some pro bono political aspects; dealing with outside time-wasters."

Frustrations and Pains

Beyond the petty annoyances that go with "being head of state," however, are dissatisfactions that amount to cries of frustration—even though "frustration" is not part of the CEO's vocabulary. A Latin American, for example, decries: "Coping with government regulation. Coping with owners who have little interest in corporate performance."

A Canadian comments: "Dealing with personnel who cannot or will not think and use discretion to operate within established parameters; dealing with personnel whose actions are not supportive of executive management once differences have been discussed."

From the Philippines, a CEO offers: "Dealing with people with short-term viewpoints."

A Dane cites: "Politicians and media when their comments and reactions are unjustified and unconstructive."

Another Canadian simply says: "Best intentions and plans go awry."

The intentions that go awry and are most disappointing for the CEOs concern people—particularly their top executives. A New Zealander offers "disappointment with senior executives;" and a Brazilian alludes to people when he volunteers what is least satisfying is "correcting my own mistakes."

To say that the necessity of taking corrective action—including firing executives—is their least satisfying experience (short, of course, of the demise of the company) understates its impact on the CEO. "Painful" is a more apt term and one they are willing to use. But judging from discussions and conversations, the pain is relative and not quite so strong as it used to be. It is evidently far more painful for the CEO to demote or remove an executive he appointed than one he inherited. And mutual pains are eased as more companies and their CEOs are willing to pay handsomely to sever an executive who no longer is a good fit. Of course, severance is a last resort. When CEOs compare notes on how to deal with an executive who is no longer adequate for the job he is in, there are only three courses of action they agree upon:

(1) Continue the person in some other capacity where he can be effective.

(2) Failing a mutually agreeable switch,early voluntary retirement if the person is not too young.

(3) Fire him—with generous financial support and a mutually agreed-upon explanation that allows retained dignity.

Major Satisfactions

CEOs have far less difficulty citing what they find most satisfying about their jobs. Their satisfactions parallel their criteria of success—and clearly outweigh the dissatisfactions. There is constancy to what the CEOs say: The words and terms used 15 years ago come through loudly today. Those mentioned most frequently derive from:

(1) *The growth of people:* According to a German CEO: "Seeing people grow and succeed." Similarly, a U.S. CEO comments: "The rewards of watching fellow employees grow—as well as seeing the company progress." But some emphasize knowing that they, personally, contributed to the person's growth, as in this response from an Australian CEO: "Motivating people to do things they didn't think they could do."

(2) *Having played a major role in the improved performance and stature of the company:* "The satisfaction of performing better than most of our peer companies."—Canada

* * *

"Meeting goals and objectives—financial and other; seeing the organization grow in stature and reputation."

—United States

"Being in the forefront of a new industrial development and technical breakthrough." —Switzerland

* * *

"Moving the corporation into a leading position." —Belgium

* * *

"Recognition by the community of the high moral standards of our company." —Colombia

* * *

"Status as a leading company with people who are recognized for their competence." —Canada

* * *

Some CEOs in developing countries stress added satisfactions from having materially contributed to the development of the country. As a Brazilian notes:

"Helping and watching people grow;
"Helping and watching people change;
"Helping and watching the country improve."

This small sampling of comments demonstrates that goal-oriented CEOs' greatest satisfactions come from "results." But, clearly, "results" do not show up every day. And it is the exhilaration, the "fun" of the job on an everyday basis, that comes through in conversations with various CEOs. When it stops being fun, several ventured, it will be time for them to leave.

Thus, as various CEOs warned, trying to dissect the job—to distinguish satisfactions from dissatisfactions—misses the point. What is evidently most satisfying is, as a Swede says, "self-fulfillment"; being counted among the leaders—or just being CEO.

Compensation

The psychic income revealed in the above comments would seem to overshadow any financial rewards that might come the CEO's way. A Frenchman volunteers: "Being right is the best compensation." But that will not substitute for the salaries that indicate the market's evaluation of their personal worth—or the even greater rewards that stock options provide in reflecting the market's evaluation of corporate performance. And the "perks" that go with the position are sorely missed by ex-CEOs. CEOs *are* paid and, with rare exceptions, their total compensation is the highest in the company.

Is their compensation, as they see it, adequate for the job they perform?" The collective answer is "yes"; out of 287, five say "no." These few are CEOs in European countries with very high tax rates. And several CEOs point out that their compensation is adequate on a national basis, but not when compared with those in other countries, principally the United States.

Optimum Period of Service

CEOs clearly have energy and drive, or they could not have reached the top. "The will to be Number One" has long been a major prerequisite to achieving that lofty spot. But how long that energy and drive can keep the person at the top becomes an intriguing, although somewhat academic, question so far as CEOs are concerned. "It all depends" is the favored answer when CEOs are queried about optimum periods in office.

Even so, when speculating on the issue, many favor objective rules of thumb—which give way to highly subjective evaluations in their own particular cases. Fifteen years ago, their "objectivity" centered on ten years as the optimum: "Long enough to become acclimated and short enough so as not to become jelled." Or, "Less than five is only training; from five to ten, one can really deliver; more than that stifles growth of others." Or, "Time enough for the CEO to be accountable for his own actions." A negligible proportion of CEOs fifteen years ago mentioned five years—or less than ten—as an optimum period for themselves or others.

In marked contrast, while the majority still calls for ten years or more, close to one-fourth of the respondents think of five to nine years as an optimum. (See Chart 9.) ICI's Harvey-Jones says seven. Geddes moves the optimum closer to five. They and others cite "burn out" occasioned by the increased complexity of both the corporation and the environment, compounded by the more rapid pace of change. This may be what Walter Light has in mind when he says: "In the life time of a CEO, you probably implement one strategy and you probably put a second on paper." And a Canadian, who has been CEO for many years, comments: "Where knowledge is doubling every five to seven years, a new leader is desirable every six to seven years, especially in a high-tech company."

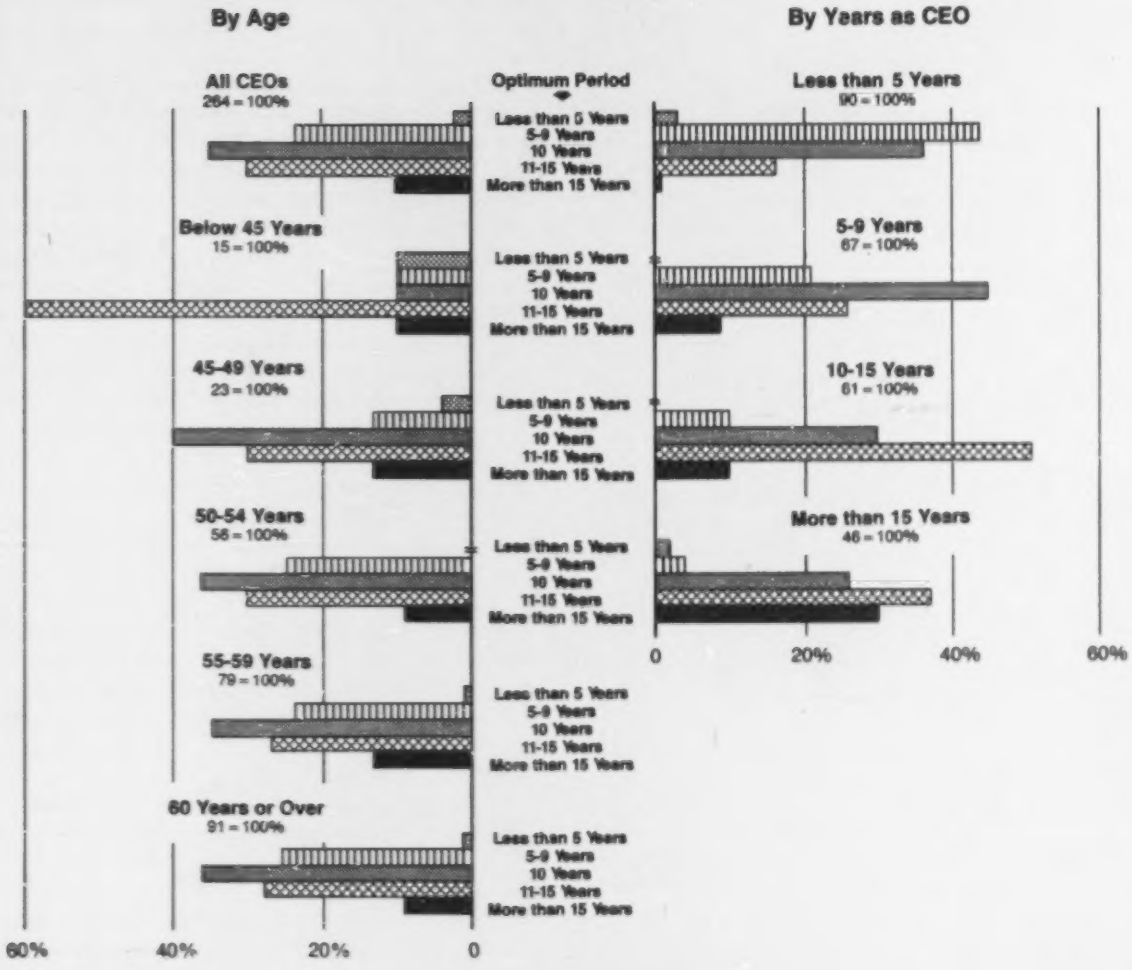
Of course, their objectivity is tempered by their own situations. The younger the CEO, the longer the optimum period cited. Two out of three responding CEOs who have not yet reached 45 see more than 10 years as an optimum. The proportion falls off with increasing age. However, it is among those who are in their 60's, the elders whose future is behind them, that the shorter optima are more frequently mentioned.

The correlation with years in office is even sharper: Only those very few who have been CEO's less than five years see that as an optimum; by far the largest proportion of those who have been CEO for more than fifteen years consider it the optimum period. Ed Pratt, who will have been CEO for 20 years by the time he reaches 65, not only says "So what?"—but chafes at the thought of a competent CEO leaving at some early date.

It is clear that the CEOs are projecting their personal experiences. The more prevalent five-to nine-year optimum suggests a higher turnover among CEOs. Their speculations—and the statistics—add up to the more general contention that "it all depends." There is no norm, even though some CEOs do think in terms of an optimum period when they first assume the title. Some even insist they will stick with it: Harvey-Jones says he wanted a three-year period; the board wanted five. But he's leaving after five—"no ifs, ands or buts."

Chart 9.

Optimum Period as CEO



Others have said: "I'm getting out after 10—it's best for the organization" only to find on that 10th anniversary that "the board wanted me to stay, so I stayed." Of course, the reverse is also true: The CEO contemplates a ten-year stint—but the board suggests that he leave after only two or three.

Optima aside, do CEOs have their own set of criteria to tell them when it is time to cease being CEO? Evidently yes—and no. Most of the CEOs interviewed were asked the question. "How will you know when you are through—that it's time to get out?" For a few, the answer was simple—"The board will tell me." For some the fact of compulsory retirement relieved them of thinking in such terms: "That's the beauty of an arbitrary age."

But the most frequent answer among the others was: "When I no longer have the same enthusiasm." Their more considered reflections amount to a checklist of indicators that it is time to become a former CEO:

"If I start to catch myself with hardening of the arteries—if I don't see things progressing . . . the company not grabbing hold of new ideas . . . .

"If I start to feel stale myself.

"And, third, and that will probably be the reason I'll start to progressively step aside, is the fact of my 'Number Two' being ready."

—Paul Staley

* * *

"I can't imagine that—I suppose it would be when I started not being very happy going to work in the morning or when I couldn't sleep at night because I felt I couldn't solve the things that we had to solve. That can also happen now, but only for short periods which doesn't matter. If it became persistent, it would be high time to cease."

—Rene Tang-Jespersen

* * *

"If I have to discuss things too long with my colleagues to convince them, then I must ask myself if my thinking is

right or if there's something wrong with me. . .and maybe I'd come to the decision that it's time for me to retire."

—A German CEO

• • •

"If I find that I'm more and more out of step with the organization, I would feel the time has come."

—E. M. deWindt

• • •

"When I start doing things in a routine way."

—A. A. Loudon

• • •

"When I find myself saying 'no' too often. When I start thinking I'm right."

—James McKee

• • •

"You can see through a major change once, I think the next time you'll not be able to do it properly."

—Sir Trevor Holdsworth

• • •

"My wife will tell me. . . If ever the point comes when you feel that you are scared to make a major jump again in the company's life—a merger, or a divestiture. . . If I ever felt, I can't do that any more, I can't fight it through, it's too cumbersome, I feel a little too tired to carry it through that is the when I should think of stepping down—or, better yet, before reaching that point."

—Dieter Wendelstadt

How to Leave?

When he does leave, should the CEO say "good- bye"—or "au revoir"?

The facts are that it is au revoir—the former CEO emerges as the non-executive chairman, or the chairman of a major board committee, or just a board member in most U.S. and non-U.S. corporations—unless, of course, his departure was somewhat sudden and involuntary. Even in such cases he may be retained as a consultant, available *if called.* It is a relatively rare CEO who is willing to make a sharp and total break from any formal tie with the company he has headed. And, generally, it is the board and the organization—rather than the new CEO—that wants to avail itself of his experience and judgment by keeping the individual as a board member.

The new CEO most often—fully appreciative of the former's competence, experience and judgment—still thinks it should be "good-bye": "I can always reach him if I have to." Fully nine out of ten of 264 respondents to this question think it preferable that it be a sharp break. Their feelings are possibly best expressed by the Harvey-Jones formula: "Bring him in young—CEO for seven years—then move to a non-executive chairmanship *somewhere else, not here."* If it is au revoir, they would prefer—sometimes insist—that it be for a relatively brief period.

Demurrers to this majority view seem to occur most frequently in cases where the departing CEO bears the company name and/or has been mentor to the new CEO. The view is more fully articulated by a U.S. CEO, who has been in that situation and who strongly advocates a phased shift: "The concept of a relay race rather than a precipice is really beneficial to the people involved but, more importantly, to the institution. . .The idea that at some traumatic firing of a gun you are no longer useful and the next guy is omnipotent. . .does not correspond to any view of human capability that I understand; it doesn't correspond with my observations. It is not without its bumps, but what human relationship isn't?"

Chapter 5

Chief Executives in Europe and the United States: Reflections on Similarities and Differences

THE ESSENTIAL DIFFERENCE between CEOs in Europe and the United States is that those in Europe are Belgians, Hollanders, British, Danes, and so on. Those in the U.S. are New Yorkers, Texans, Wisconsinites, and so forth—but all Americans. The differences show in semantics, as in the term "chief executive": In the United States, the emphasis is on *chief;* in Europe, it is on *executive.* And the differences are cultural.

Most succinctly put by an American with long experience in Europe; "American CEOs maximize their power; Europeans don't."

Still, as more than one CEO points out, in terms of the job, the difference is more in style than in substance.

Stylistically, there are differences that show up most distinctly in their decision-making processes, their time horizons, their relationships with the board of directors, and the power they are willing to assert in exercising their authority.

Substantively, however, their perceptions of the job, their measures of success, their priorities are quite similar, as has been indicated.

What is most evident in discussion with CEOs, however, is the convergence that is rapidly occurring in the way CEOs in both Europe and the United States do their jobs. The luxury of living with traditions and customs that formerly made for marked differences is giving way to the harsh realities of a more integrated, rapidly changing, competitive world. Thus, the convergence in approaches is most noticeable among the larger, multinational companies—plus those most affected by the changing structure of competition. And the convergence is not in one direction. In certain respects, CEOs in the United States are becoming more like Europeans; in other respects, it is the reverse.

Strong though the trend may be toward converging approaches, the differences that linger in the perceptions of respondents are formidable. Some of the more extreme observations offered by Europeans about Americans include:

"The U.S. CEO is godlike—he's the whole thing."
—Denmark

"I don't have to panic every quarter." —Great Britain

* * *

"He can hire and fire at whim." —Belgium

* * *

"It's a one-man show." —Germany

* * *

The Americans are less provocative, not quite so critical of the Europeans as they—or some of them—are of themselves:

"Their senior executives are more aloof; more stand-offish; more comfortable with the old-boy network."—United States

"Some of their industries are so intertwined with the government that the CEO has to phone the minister about anything important." —United States

"It takes them forever to make a decision—it's all by consensus." —United States

* * *

"Disregarding the short-term is a great way of avoiding reality." —Denmark

* * *

"In the States, if you're not improving your earnings per share the whole time, the roof falls on you. Here, you'd probably get a knighthood." —Great Britain

Areas of Convergence

It is only when these generalizations become just a bit more refined that the similarities occasioned by the situational pressures surface.

Decision Making

"U.S. CEOs call the shots; Europeans are collegial or go by consensus." The contention does not quite square with the actuality. Size, diversity and complexity are far more significant in dictating just how participative the decision-making process is. U.S. CEOs are as vehement about embroiling other key executives in large decisions as are the Europeans. Ed Pratt says: "You're crazy if you don't." The existence

of legally defined management boards in some European countries, the more prevalent insider-dominated boards in others, creates a greater illusion of collegiality or consensus. But these structural differences give way to practical processes. And while the term "consensus" may be less popular in the United States than in Europe, the processes are very similar. Time pressures, or perceived time pressures, alter the time spent in achieving a common understanding of what the decision should be. When time is short, European CEOs begin to sound more like Americans. A German CEO, for example, concedes that he is getting a bit impatient with the pace of change he would like to see; he is going to be more authoritarian.

If there is a difference, it is most apparent in motivations. U.S. CEOs arrive at highly participative decision making as a matter of necessity: They cannot know enough to make all the big decisions. In Europe, it is more a matter of conditioning. Especially in the Northern European countries—Sweden, Norway, Benelux and Germany—legal structures plus custom have habituated CEOs to collegiality as a way of life. Loudon of Holland, for example, says he could manage a U.S. company, but he would still insist on a more collegial approach at the top.

Short-versus Long-term Outlook

"Short-term thinking and action occasioned by the tyranny of the stock market," is a generalized accusation that many European and others level at U.S. CEOs. Some add that the heavy role of stock options arouses the human qualities of the CEO—it is difficult to forego or forget personal gains possible from short-term actions. And the fact that there is more widely reported turnover among top executives in the United States adds to the impression that their short-term performance is crucial.

However, European executives who are more fully exposed to U.S. operations are far more charitable. Sir Reay Geddes observes, for example, that there is a distinction between the fast reaction that he has seen among U.S. CEOs and a short-term predilection. As for the longer-term outlook of the Europeans, Sir David Orr sees that fading—the Europeans becoming more like the Americans: "Stock options becoming more common . . . the shareholders, particularly institutions, are more critical than they were—and the pressure is on chief executives to produce results more quickly."

An American with long experience in Europe, sees the short-term label as a complete canard. For Europeans, the swings in foreign exchange and other factors, he insists, have brought the short term to the fore with a vengeance.

In conversations with both U.S. and European CEOs, the stress on balancing short- and long-term is formidable. Indeed, in that respect, it is difficult to distinguish between the comments of a Bradshaw of RCA and a Harvey-Jones of ICI. Both stress long-term commitments, short-term performance. And there is little evidence of any sharp distinction between the United States and Europe in the priorities they give to planning as opposed to monitoring and evaluating.

Europeans mention one other factor in stressing their longer-term outlook: the longevity of the CEO's service with the company. Some Europeans claim that the life-long service with the company that Europeans bring to the CEO position tends to encourage greater identification, respect for the past, and greater tolerance or patience—hence a longer-term outlook. However, among the CEOs responding to the Board's survey, an appreciably larger proportion of U.S. CEO's claim very long service (more than 20 years) than do Europeans; and relatively more European CEOs have come from the outside in recent years. The dedication to Eaton claimed by de Windt: "It's been my life" is not too different from that of Harvey-Jones when he says: "If they cut me in half, they'd see ICI roundels running through every pore of my body."

Two factors seem to have contributed heavily to the greater similarity in short- versus long-term outlook: (1) heavy global competition, and (2) particularly in Europe, broadened public and institutional or fund ownership as opposed to the family or bank-dominated ownership that was formerly more prevalent.

Relations with the Board

The question of whether the boards of directors or the supervisory boards of European companies act as more or less of a constraint on the CEO than do those in the United States gets mixed answers. There is no strong consensus; respondents cite too many variables. But the weight of opinion indicates that European boards exercise more supervisory authority than do those in the United States. However, whatever differences existed in their de facto, as opposed to legal, authority is lessening. The two-tier system in various European countries—especially West Germany and Austria where there is no management representation on the board—seems to vest the supervisory board with greater authority. But the committee structure of U.S. boards, with virtually all outsiders making up the powerful audit committee, with proliferating nominating, public policy and other committees, has given U.S. boards some semblance of a two-tier board.

On both continents, the composition of the board has changed, although Europe has trailed the United States in moving toward a majority of outsiders. Competence nowadays gets much greater stress than cronyism. Chief executives are more prone to look to their boards to expand their ken; to bring broader and more seasoned experience and judgments to the CEO's plans. In the United States, that seems to be the primary function that CEOs attribute to their boards. In Europe, on the other hand, the CEOs seem a bit more aware of the board's supervisory role; they are more deferential to the board than are their U.S. counterparts. In both Europe and the United States, the board's authority to hire and fire is basic to their relationship. A professional director, who is a member of boards in both the United States and Europe, explained that "the board's power is sheathed," but the CEO knows it's there.

More compelling in assessing the relationship of the CEO to the board is whether the CEO is also chairman. The deference to the board, already noted, is most evident in situations where the CEO is not chairman. And, even though U.S. CEOs claim the CEO title is all that really matters, they, too, are aware that a chairman-CEO can exercise a bit more power than one who is not. The difference is largely a matter of who manages the board; who exercises greater authority in selecting the members who will judge them. In the United States, most CEOs, especially among larger companies, are also chairman and exercise a dominant role in altering the board—a situation that has given rise to much questioning about the independence of the board and about which there is still some residue of argument.

In Europe, most notably in countries with the two-tier system and historically in Great Britain, the positions are separate. But the British are accepting more chairman-CEOs. Edwardes, for example, insisted on being chairman-CEO when he joined British Leyland. This gave him the leeway he felt he needed to make immediate changes in the board. He sounded very little different from de Windt of Eaton in the United States—who, on being appointed chairman, also made some immediate changes in the by-laws affecting board membership and tenure.

In the two-tier countries, the legal distinction prevails. But in crunch situations, the non-executive chairman can—and sometimes does—become more managerial. An Austrian, who was made chairman of a bank in difficulty, acknowledged: "You have to distinguish between the legal and the real. Legally, I'm not supposed to be involved in managing, but in this situation the CEO pays particular attention to what I tell him."

In the United States, former chairman-CEOs seldom fade away. They emerge as chairman for brief periods while their successors become president-CEO; more often, they move to chairman of the executive committee when their successors become chairman-CEO. In Europe, a former chairman-CEO may also become only chairman. In both situations, they continue to be formidable presences so far as the new incumbent is concerned.

Despite the practical similarities in the functions of chairman-CEOs, in Great Britain, in particular, there are nuances and subtle distinctions that surface in some interviews. In the United States, the title chairman-CEO has the advantages of ambiguity and greater flexibility for the CEO. There is no question that the person is ultimately accountable. But the relative emphasis the U.S. chairman-CEO can give to his role in managing the board—as opposed to managing the company—can vary tremendously. His involvement in operations and the split in responsibilities between the CEO and COO can change drastically without causing any great ripple outside.

In Great Britain, on the other hand, the title has the disadvantage of clarity. It is more prevalent, according to Sir David Orr, because, in the past, it was sometimes difficult to know who was responsible for what: "What you are seeing is not so much a shift of responsibility from the managing director to the chairman, but a great deal more clarity about the roles of those two top men... The whole position of accountability. . . has made it desirable in many cases for the man who is the major decision taker also to be the man who steps up and takes the accountability."

And clarifying the role—by title if nothing else—has the effect of sending out signals. Geddes, for example, explains that situations vary, that there are times when the managing director should be CEO, but "if a company is really in a mess, somebody has to go right in and be responsible for everything and get everything done in a hurry." That is the chairman-CEO. This is not to imply that every British company whose chairman is CEO is "in a mess." But the change from a managing director-CEO or non-executive chairman to a chairman-CEO does tend to indicate more than just a change in title.

Areas of Divergence

Thus, U.S. CEOs are becoming more like the Europeans in participative decision making; Europeans are becoming more like North Americans in their time horizons; and both are moving to midstream in board relations. Of course, as already indicated, Europeans are far from homogeneous. At least one European CEO explained: "You've got to distinguish between the Northern Europeans and the Latins—the Latin CEOs (Italy, Spain, France) have always been more macho, more like Americans in the way they run things."

In certain other respects, some differences that are mentioned amount to "the grass is greener on the other side"—particularly so in regulatory matters: Europeans feel U.S. CEOs are less hampered by regulation; U.S. CEOs see less regulation in Europe—although those who have operated in Europe give far greater emphasis to the tight regulation on hiring and firing and employee benefits that exist in various countries. A German underscores this when he says: "I wish I had the freedom to hire and fire as easily as do those in the United States."

Other observations on the differences relate less to the job than to cultural patterns:

A Dane, for example, sees the total identity of the U.S. CEO wrapped up in his job. "We believe there's more to life."

An American, who has had close contacts with Europeans offers: "U.S. CEOs have made up their minds before they discuss matters with their colleagues—they see that as a strength. Europeans are more open to suggestions.

"The American CEO is dedicated to doing things: Getting things done is possibly more important than the financial consequences of getting them done. Europeans are a bit more relaxed; there's almost a laissez-faire attitude that the institution itself, rather than the people, will create the end results.

"Here in Europe there isn't the ethic of accomplishment. Achieving the title of chief executive is more important than

what can be accomplished by being CEO. The U.S. CEO looks at what he can do with power, what he can do with the position. For the Britisher, in particular, it's almost as if their reward has come. . . he's got it made, he can get involved in other external things."

But, this executive quickly added, "of course, all that has changed dramatically in the past four years."

This latter sentiment emphasizes the changes that have occurred not just during the past four years but during the past fifteen. The thrust toward managerial competence has been supported by changes in both their educational and business backgrounds—more Europeans exposed to a business education, more attention on developing managers internally. (See "Profile of the CEOs.") It has been made necessary by the change in the overall global competitive environment which increasingly renders obsolete substantial differences in nationalistic approaches to corporate viability and growth.

Part II

Some Individual CEOs

There is no average, typical or composite chief executive. Any aggregate picture necessarily belies the tremendous variations among the individuals and their situations.

The interviews with 30 CEOs were designed primarily to provide more complete information than can be expected from cryptic responses to open questions on a survey form. While the questionnaire provided the basis for the interviews, three areas were pursued most diligently:

(1) The decision-making process: How collegial is it?
(2) The leadership syndrome: How does it manifest itself?
(3) The national or cultural differences: how great a difference between CEOs in the United States and Europe?

Much of the material obtained through the interviews has been used to provide interpretive backup and documentation for the more generalized picture already presented.

But each chief executive is an individual with a distinct personality, distinct outlook, and, most significantly, a distinct manner of expressing his views.

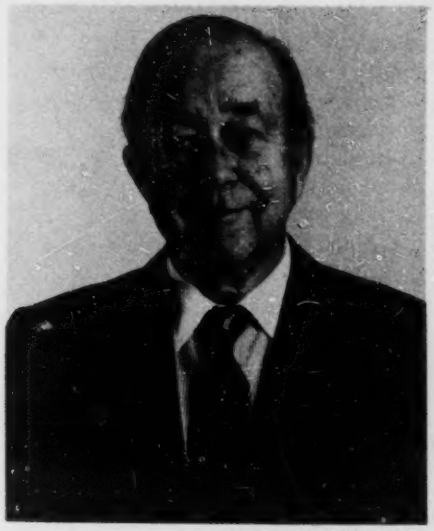
It would be remiss not to present those views fully in order to let these unique personalities speak for themselves. For it is when the CEO talks about managing—and not as he answers a questionnaire—that the individual styles and values emerge more clearly.

What follows are major portions of eighteen interviews. Nuances, missed in looking for major similarities and differences, may be more striking and significant to some than the composite.

All these interviews were conducted from early Spring through late Fall in 1984. Six of them have already been published in The Conference Board's monthly magazine, *Across The Board* (December, 1984-April, 1985 issues).

THORNTON BRADSHAW[1]

Chairman
RCA Corporation
New York, New York, U.S.A.



Photographs © William Lulow

RCA's current annual sales of approximately $10 billion are now concentrated in electronics, communications and entertainment. It operates worldwide; has recently stressed joint ventures.

Thornton Bradshaw was president of ARCO, a petroleum company, prior to being appointed CEO of RCA in 1981. In April, 1985, he stepped down as CEO in favor of Robert R. Frederick, now president-CEO, whom he had recruited from GE. Mr. Bradshaw is 67 years old. This interview occurred while Mr. Bradshaw was CEO.

Harold Stieglitz: Despite the self-confidence that most CEOs exude, I've gotten the impression that there is an underlying insecurity among many. Do you share that feeling?

Thornton Bradshaw: Yes, I certainly agree that there is a considerable amount of insecurity. It is often masked—I don't think anybody wants to admit to being insecure in a job. Remember, we have pretty bully kinds of guys at the top. They are quite sure of themselves, except perhaps in the dead of night.

What's the root of the insecurity?

Bradshaw: I think there are several reasons for it. One is the large size and diversified nature of our companies. Within your own company, you are trying to appraise very different kinds of people in very different industries. In RCA, for example, we have the president of Hertz; the chief executive officer of the NBC company; and we have two executive vice presidents in charge of various aspects of electronics. Those are different people from different kinds of cultures, and you have to appraise them very differently. Since you, yourself, cannot possibly be an expert in—or cannot possibly have grown up with—all of those businesses, there is a certain amount of self-questioning: Am I picking the right man? How would I know? And so forth?

The second reason is walking the tight rope between short-term results and the absolute necessity for a long-term positioning. That's just a reality in the United States—one just has to get used to it—but it's very tough; it's very, very hard to do. If you do not get good quarterly results—and certainly good annual results—you don't stay around long enough to implement plans for the future. Any executive who does not suffer from that dilemma is not a knowledgeable executive. He does not know what the score is.

How do you keep your sanity? How do you keep your ulcers down?

Bradshaw: Well, you don't—you just churn.

There is a third, not quite so obvious, reason. I think every good, perceptive chief executive knows that the long-range success of his company depends as much upon its relationships with government and society as it does on the products that it develops, manufactures and sells. Yet, oftentimes, you can't admit that. To put it baldly, the executive is forced, because of peer pressure and his own background, to make speeches saying: "Leave it up to private enterprise; get government off our backs and we'll get the job done."

Next, he takes a plane to Washington to make sure that government is really lined up to give his business all the help that he can get. The absolute fact of life is that we are in partnership with the Federal Government, with municipal governments, with the towns and cities in which we operate. We have to satisfy them, and they have to help us. We have a mixed economy. That's the reality. To operate within that reality—which every good businessman does because he is primarily a practical man—and, at the same time, to square that with his own political beliefs, is a very churning operation.

Would the basis for appraising your performance be the same or different at RCA and at ARCO?

Bradshaw: In the basics, certainly the same. First and foremost in both companies, defining what kind of a company it is going to be five and ten years from now. Second, providing a management style through organization and, if you will, leadership. Third, providing the right kind of people within the organization. Those elements are the same in both companies.

The priorities are the same in terms of work or responsibilities. But switch over to appraisal: How will you, personally—as opposed to what the board says or the newspapers say—gauge your success at RCA and at ARCO? Does the question make sense to you?

Bradshaw: Oh yes, I think about that quesion all the time. Again, I'm not sure that there is a difference. There has to be a discernible change in both companies in terms of the

[1] Published in *Across The Board*, February, 1985.

perception of the company of the people inside and the people outside. There has to be consistency of goals and a perception that those goals are being met and that they will continue to be met. And, both inside and outside, there has to be a perception that the company is becoming a better economic unit and a better social unit—and gives promise of moving on both those fronts in the future. To me, those are the basic measurements.

I'm hearing an emphasis on economic performance.

Bradshaw: Plus social performance and social perception.

If you leave tomorrow, will you figure you've been successful here?

Bradshaw: Yes, I will have—in providing that transition in terms of the people, the attitudes, the style.

What do you do when you're no longer RCA's CEO?

Bradshaw: I expect to remain as chairman and provide whatever help the CEO wants. I will, of course, spend more time on a number of outside activities that have interested me for a long time—The Aspen Institute and Lincoln Center, for instance.

Will you feel a letdown, coming off a high, when you drop the CEO job?

Bradshaw: Yes, everyone does—I am told.

Everybody talks about strategy—strategy in meeting a goal. Where does the goal come from?

Bradshaw: Here, I can give you a set of contrasts between Atlantic Richfield and the RCA Corporation. When Robert Anderson became the chairman and I became the president of Atlantic Richfield in 1964, we didn't even know one another very well. We (Atlantic) had bought his company (Honda Oil & Gas Co.), he had come on the board, and then there was a board revolt against the old management. And the board, at that time, selected Anderson and me. Shortly after this happened, he and I went on a trip to Europe; I forgot what we were supposed to be doing there, but that is not important. The important thing was that we talked a lot on the way over. We used the back of the airline's menu to write down what we thought the company could do, what it should do. We wrote down six points (including such long-term objectives as finding more crude oil to feed the refining end of ARCO's business, and using alternate-energy sources and diversification of the company as hedges against the gradual depletion of oil and gas supplies).

Those points were never changed during the tenure of Anderson and Bradshaw. Now I'm not sure whether that's called strategy, or goals, or what, but it defined what the company was to become. Each point was quite specific. They have been largely accomplished in ARCO, although there has been some deviation from those goals now because of changed circumstances in the oil and mineral areas. But they were not changed during the 17 years of my tenure and Anderson's. They constituted the bible—the basis for the kind of company we were building. I don't know how to characterize that, other than as a list of six points that represented long-range goals—some of which we really did not think we could ever accomplish in totality.

Do those goals come from inside the company or is it a case of the chief executive's "having a vision"?

Bradshaw: I think there are two kinds of people. There are the Bob Andersons of the world, who draw upon past experience, but who also draw on an extraordinarily intuitive nature. Anderson would draw on his own past and his intuition; he'd talk with me about it, but he wouldn't necessarily talk with anybody else about it. I am different. I depend, to quite a large extent, on discussions with other people, other executives.

Anderson and I came together and agreed on everything we wrote in that memo, but we arrived there in a totally different fashion: I, from my rather large knowledge of the company and the people within the company; he, almost entirely through the intuitive process. But we ended up at the same place. We do represent almost opposite ends of the pole in terms of how we arrived there, but the reason that we had such a hell of a partnership for 17 years was that we always arrived at the same place.

RCA was totally different. There wasn't anybody at the top with whom I could really talk. Its basic problem was its loss of topside leadership; it had drifted off in all different directions. It had no consistency of approach. It did not know what it was — or what it wanted to become. It was an extraordinarily diverse conglomerate, which made no sense. It was in the carpet business, in the frozen-food business, in the steel-furniture business, in the finance business, the car-rental business, the consumer and commercial electronic business, and the broadcasting business. It was just extraordinarily diverse. What was the company? What were its directions? If someone came in offering us a hat company, should we buy a hat company? There was no concentration on what kind of a company it was, or where its future would lie.

Unfortunately, we could not do things seriatim; we had to do them all at once. But the most important order of business was to define what in heaven's name this company could be all about. We had no planning people, the management ranks had been stripped, and the company had wandered off in all directions.

The first thing I did was to hire a management-consulting firm to study the basic industries in which RCA operated, and what the future of those industries could be. I also asked for a study of the strengths of RCA and how they fit the various markets. Within a matter of weeks, it became apparent that RCA had great strengths, broadly speaking, in electronics, in communications, and in entertainment. Those derived from its people, who were largely engineers and scientists; from its traditions of the past, which centered upon the great laboratories that were still great laboratories; from its extraordinary marketing expertise for those kinds of products; from a very large, flexible strength in manufac-

turing; and from a great service company that could fix anything from television sets to computers. Extraordinary strengths.

Now, what is the state of the markets for electronics? Explosive. For communications? Again, an explosive market, particularly spurred by the deregulation of AT&T and the enormous need for information and the control of that information. And finally, entertainment is a tremendously explosive market. That is the biggest bottleneck! We have all these marvelous electronic systems for the delivery of information and the delivery of entertainment, and we have run out of messages. We just don't have enough good movies being produced; we don't have enough television shows of quality being produced; we don't have enough information sources being developed. The markets were tremendous and matched the particular strengths of RCA. We began acting immediately — just stripping away everything from the company that did not build on our strengths in those fields.

Was the cutting back to core RCA activities based on: "Let's stick with what we're comfortable with"?

Bradshaw: No, "Let's stick with what our culture provides us." We had been, for instance, in the frozen-foods business. There is nothing wrong with the frozen-foods business. Mr. Perdue has made a highly profitable business out of it, and, at one time, our chicken-freezing business was larger than his. But that didn't fit our culture. We had an outstanding group of engineers and engineer-scientists in this company, literally thousands of them. They're no good at freezing chickens.

Do they have to be good at that?

Bradshaw: Somebody had to be good at it.

Well, couldn't those in RCA's frozen-foods business and chicken business be good at it?

Bradshaw: We never knew how to oversee them. It wasn't a question of feeling comfortable; we just didn't do well in those areas. We sold that company to an agricultural company that has done very well with it.

The question I'm pursuing is whether it takes a substantially different type of top management—what some call "assets" managers rather than business managers—to be comfortable running utterly unrelated businesses. In the case of RCA, did the cutback grow out of the fact that RCA couldn't be comfortable in a situation where you did not know the key elements of the various unrelated businesses?

Bradshaw: I'm not sure that the comfortability factor is all that big. You can find good asset managers, and we could get that kind of person to run an RCA that is widely diversified. As a matter of fact, the hero around here used to be Harold Geneen—"If he can do it, why can't we"?

Several factors, however, mitigated against going in that direction. The important one was that the market for the related businesses was absolutely explosive and still is. Second, that enormous market would take all of the financial resources we could lay our hands on for many years to come. We could not possibly feed the finance business, or the office furniture business, or any of the other unrelated businesses, and at the same time feed this giant with an enormous appetite—satellites up in the air, new electronic plants, development of new electronic products, a studio for the production of more television shows in-house, or even the production of movies, and so on.

In addition, the company had grown over many years with this solid core of related cultures. Of course, the entertainment people are not of the same culture as those in electronics, but their outputs—the entertainment and the delivery system—are related. So we had to make a basic choice: Are we going to go the Geneen diversification route, or are we going back to a company that is more tightly structured around explosive market potentials and demonstrated strengths?

Would you say you came into RCA from the inside or from the outside?

Bradshaw: There is not a black-and-white answer to that question. On balance, I would say I came in from the outside. I had been on the board for about 10 years, but I did not feel I was very well-informed. I had an idea of what the major, overriding problems were. However, there were many specific problems that I should have known about as a director. But looking back, I did not.

Would you reflect on the essential differences, if there are any, between the job of CEO at RCA and at ARCO?

Bradshaw: I think the difference was principally one of timing. At RCA, the company had to be reorganized, restaffed and redirected in its goals, and morale had to be rebuilt. It all had to be done in a very brief period of time. It has taken about three years to do that. I find it difficult to believe—I am rather amazed—that it was done in that time. But it has been done.

Atlantic Richfield, by contrast, emerged relatively slowly from a small company to a very large company, and that required a vastly different approach. A revolution occurred at the Atlantic Richfield Company, but it did not occur in three years—it took place over fifteen years.

Among CEOs these days we find owner-managers, entrepreneurs, professional managers, and leaders. If pushed, how would you categorize yourself?

Bradshaw: Leader.

How does your leadership manifest itself? In other words, how do others recognize and respond to it?

Bradshaw: In the first place, members of the organization acknowledge that this fellow [the CEO] may not know as much about their business as they do, but he understands it. He understands the problems that they bring to him, and he understands his executives well enough so that there are a lot of problems that they don't have to bring to him. They can trust him. You don't have to know the details of the Hertz operation to be a good top executive at RCA. But you sure as shooting have to have the full respect and admiration of the president of Hertz, who reports to you.

Second, they have to feel he is clear in his own mind where the organization is going, and they have come to agree with him.

Third, he is a person whom they can follow with enthusiasm because he is a moral man in the sense that they recognize morality. The tone that he is setting for them is one they're not ashamed of. They can say, *"That's the way I want to live."*

You're emphasizing the leader's value system?

Bradshaw: That's number one.

E. M. deWINDT

Chairman of the Board and
Chief Executive Officer
Eaton Corporation
Cleveland, Ohio, U.S.A.

Eaton's annual sales are approximately $3.5 billion. It operates in the U.S., Europe, Latin America and Japan. Principal products include a variety of vehicle components and electronic and electrical control equipment. E.M. deWindt, now 64, joined Eaton in 1941, became president in 1967, and has been chairman-CEO since 1969.

Harold Stieglitz: How much of the difference between Eaton today and the Eaton of 15 years ago is attributable to you?

E.M. deWindt: I don't know if I could take the credit—I probably would take a lot of the criticism. I became president in 1967; Chairman-CEO in 1969. So I have a tough time dodging criticism. Some good things happened as we went along, and I was probably involved. But whether it was something that I conjured in the back room or whether it was recognizing somebody else's recommendation—and endorsing it—is an open question. But not much has been going on around here for the last 17 or 18 years in which I haven't been right up to my ears.

You may have been involved, but what I am trying to squeeze out of you is what you, personally, brought to the whole process.

deWindt: Probably not a hell of a lot. Probably some form of leadership in direction and purpose—but I would be the last person to say that I am extremely innovative or creative. I'm probably a damn good implementer. Some of our basic problems were perceived, and it was recognized that something had to be done. But anyone who claims to have created a whole dream then carried it out is being carried away by his own self-importance.

I would credit my predecessor John Virden, who was chairman from 1957 through 1967, with recognizing that we needed to diversify, and that we had to look beyond the boundaries of the United States.

Of course, we made some serious mistakes. I think we lost about twenty years when we acquired Yale & Towne. We have been trying to overcome that ever since with moves into electronics and defense. But his concept was right. At the moment, we want to continue our efforts to develop better parity in earnings between our vehicle and nonvehicle components—and we keep looking.

But I repeat, anybody who says that he drew a picture and then carried it out is crazy. Basically, you have to be an opportunist.

You've been chief executive for 15 years. Have you seen any change in emphasis in the way you manage?

deWindt: I moved from being a very aggressive hands-on operator to being one who works through people, as opposed to becoming directly involved. Having come from operations as chief operating officer, you have to go through a transition. It's a withdrawal experience.

In your case, was that a difficult withdrawal?

deWindt: I recognized that I had to go through it in fairness to our new chief operating officer. For the first six months, I made it a point not to look at anything but monthly group and corporate figures. I knew that all I had to do was look at the individual operating units and I'd have the phone in my hand. Some people don't make that transition. They continually tramp around and undercut the guy who allegedly has been delegated that responsibility.

Because I came up initially through employee relations, more of my time and energy has been devoted to human resources. I've been well involved in all of our strategic-planning processes, attempting to chart a course. This becomes more and more difficult when you are trying to turn and adjust a larger mass to the world that's changing around us.

Then, of course, there's the external side of our business, involving both community and government. That has grown bigger and bigger; you can't ignore it.

Is that because of the growth, size and the complexity of the organization, because of government actions, or because you find it more interesting?

deWindt: I don't find it more interesting. But I think that the chief executive today cannot turn his back on the external side of business. Back in 1971, I was instrumental in starting a program we called "ComPro." We trained all our officers and another 100 people in public speaking; developed about 10 themes; and then sent them out to talk and to get into dialogues with every forum or audience we could reach to explode the myth about business. Eaton was the leader in the field. At least 500 companies came to talk to us about it and we supplied material to another 1,000 that contacted us. I think that was the beginning of the recognition on the part of the business community that it could no longer avoid taking an active role in the public forum. I was one of the original members of the BRT (Business Roundtable).

And I've been a lot more active than I wanted to be in Cleveland itself. Cleveland went through a disastrous period; it was the butt of every stand-up comic in the country. I've played a very significant role in attempting to rescue Cleveland and rebuild it. For a lot of reasons, but primarily restrictive labor practices, Eaton's employment in Cleveland has dropped from 10,000 to about 900 during the past twenty years. But we have our corporate headquarters here; our people are here; and it is important that we have an environment to which we can attract people. Under those circumstances, you can't just withdraw. I raised money; I got other executives involved; I appeared where I ought to appear. I do most of this before or after the business day. I guess I instigated the 7:30 a.m. business breakfast meeting. If you are a part of the community, there is no way you can avoid it. My involvement with the Cleveland community and in the Washington scene probably takes 20 to 25 percent of my time.

As a consequence of these heavy external involvements, what part of the job that you used to do have you downplayed?

deWindt: Getting directly involved in the operations—which I haven't been doing for sometime. I don't make as many trips overseas now, and that gives me a little more time.

Please be more specific on changes in emphases: first your relative emphasis on strategic planning; second, the relative emphasis on human resources; and, third, your relative emphasis on control.

deWindt: Up—on all three. On control, any more would be unrealistic. The control systems we have developed over a period of time are outstanding. We have all the numbers we need at our fingertips in a form that can readily reveal any problems. Our president and I meet at least monthly individually with each of our group presidents. Our senior management council meets twice a month. And the president and I talk every day that we're here together—sometimes for half an hour, sometimes for three hours.

So, if I ask you right now, Mr. deWindt, is everything hunky-dory?

deWindt: I can tell you where it isn't. I'm confident there are no surprises. If I couldn't say that, then I'd need to move over. That is my most important responsibility.

I think we have a stronger management team today than we've ever had—the most competent; the most dedicated. There have been times when I couldn't say that. In those periods, you have to slice something.

I don't think I ever mixed up my priorities. My priority twenty-four hours a day, seven days a week, is this company. When things are going well, I can do some other things. But the increased involvement with external relations hasn't meant a deemphasis of those other important segments. If you ask some of our people, they would confirm it.

What I'm saying is that the external is important today. J. O. Eaton, who founded this company, was never known to have made a comment to the press or to appear in public. And as a result, that was the pattern for the company. I feel differently. I think we are a public organization. There are certain external and internal obligations and responsibilities. You can start with your customers, your shareholders, your employees, and so forth. The public aspect is becoming more and more significant and a well-rounded CEO cannot turn his back on them. Circumstances will dictate the direction and the amount of time and involvement.

What special leverage do you get as chairman-CEO that you wouldn't have as president and CEO?

deWindt: Titles don't mean a thing. It's the CEO job that counts. Were I president-CEO, I would be doing pretty much the same thing I do now. I can't see what having a nonexecutive chairman would accomplish. I know a fellow in that position. He does a lot of the things I've talked about, and he does a fine job. But it doesn't justify a full-time person.

Someone has been writing—and hitting the headlines—pushing the idea that the CEO should not be chairman. I think he should stick to writing books.

Were Eaton to have that setup, with me as president-CEO, I'd end up with an executive vice president anyway. No, I'd be uncomfortable with that organization. The day I became CEO, I had our by-laws changed to require that the CEO retire from the board the same day he retired from the company. It just seems foolish to me to have a guy floating around as chairman if he's not CEO.

An important element is that the chairman in the United States is perceived as being the senior person. Why not recognize that? Why fight the system?

Who makes the big corporate decisions at Eaton?

deWindt: Are you kidding? Among people who have been with Eaton, I have worked hard to avoid the charge that there isn't a decision made at Eaton that isn't made by deWindt. That's ridiculous. There is no way that one person can make all the decisions. But on the significant decisions, yes, I step in. But I don't think I ever made a decision on my own—that is without seeking input—unless it was a crisis situation.

After doing as effective a job as I can—getting the facts, and asking for other people's judgment—somebody has to make the decision. Not once since 1969 has our executive council, or what is now our senior management council, had a vote. Everybody has a chance to express his views. Then a decision is made. Most of the time, it has been consensus; the decision has been pretty obvious. But that doesn't mean there has to be a consensus. You are not going to sit down with seven or eight people, discuss an issue, and when you get all through, say: "Well, we can't make a decision, because we can't get a consensus." You try to avoid situations where, to a man, they feel one way, and you say, "Well, I can't agree," or other times, "Well, I guess I have to agree with that." That's not the way it works. I do think that, originally, I was too quick to let people know my conclusions. But I found you don't get the benefit of their input; they aren't going to fight city hall. So I tried not to commit myself or show my hand too early; I tried to get these guys to talk. There are occasions in which my position changes during the course of discussion. You need to have some flexibility. You have to be willing to listen to what others have to say, and, if it's a good case, be influenced by it. Otherwise, it would be a pretty tough environment.

Speaking of tough environment: Were you disappointed at not being included in Fortune's list of Toughest Bosses?[1]

deWindt: The day after that article appeared, I told our senior management that I ought to thank them for not having—I started to say nominated—but I changed it to elected me. I was pleased to see that I wasn't.

I think you can have a tough boss who is highly respected, who doesn't create animosity. We've had some rough periods here. In the last few years, we went from 65,000 to 40,000 employees, eliminated 30 percent of our officers, and made various other adjustments. But we had no revolution. Today, morale is high. You can do that several ways: You hope you don't become an expert at it, because you hope you don't have to go through it that often. I want to be perceived as being tough, but not mean.

When you're all through, as CEO, on what basis will you, personally, evaluate your success?

deWindt: I started at Eaton when I was 20. It has been my life and everything I've done has been influenced by its possible impact on Eaton. I'll retire one day, but that in no way means that I'll pull down the shades and say: "That part of my life is past, and I'm never going to look back." My concern for this company and its people will probably be just as great after I'm gone. The greatest fear that I've had all through my career is that, I didn't want to preside over a company that has become obsolete. And I think that begins with the people and key management positions. So, in evaluating myself, I'll put tremendous weight on the ability of the people that I am responsible for having put in place to carry it on, not necessarily in the same mode that I did, but in a way that it continues to prosper.

[1] "America's Toughest Bosses," *Fortune*, August 6, 1984.

Sir Michael Edwardes

Chairman-CEO
(Formerly of Chloride, BL, ICL and
Dunlop Holdings)
London, England

Sir Michael Edwardes, a South African who began his business career with Chloride Company while still in South Africa, became CEO of the Chloride Group (batteries and chemicals) in 1971; left to become chairman of British Leyland, the beleaguered nationalized automotive industry, in 1977. After five years pulling BL "Back From The Brink," he resigned for a short stay at Mercury. Then became chairman of ICL, (computers and electronic equipment) for a year before being appointed chairman of Dunlop in November 1984. By March '85, as this report goes to press, Dunlop was acquired by the conglomerate BTR (formerly British Tire and Rubber) after Sir Michael exacted triple its initial offering price.

This interview occurred immediately after the acquisition of ICL by STC (Standard Telephone and Cables—Britain) and shortly before his move to Dunlop, Britain's premier tire and rubber products company.

Harold Stieglitz: During the past 10-12 years, you've headed at least three substantially different companies—Chloride, British Leyland, and ICL. Were there substantial differences in what you did? Start with Chloride—because that's where you started your career.

Sir Michael Edwardes: When I went on the board of Chloride in 1969, morale was very low, profitability was shocking—in fact the whole Chloride Group that year made only about £3.5 million in profits. When I took over as chief executive in 1971, we reorganized the business from top to bottom with more of a profit-center approach. We split the British end of the business into three units; we put strong line managers into each; and we improved the profits in the British subsidiary by about five times. So by the time I left Chloride in 1977 to go to BL, we were up to £26 million in profits.

And your primary contribution?

Edwardes: Reorganizing—structure and people— and managing change.

Now, BL—which I gather was a major turnaround and salvage job. Even in the U.S., we recognized it as Britain's last hope in the automotive industry.

Edwardes: BL was, of course, a much bigger challenge altogether. It was Chloride times ten. We had to change the top 200 people—not fire them all, but we had to redeploy the top 200 people.

And there were other dimensions. There was the political dimension. The government was asked to put up hundreds and hundreds of millions of pounds—just as Chrysler needed material help from your government to trigger off its great recovery.

There was the industrial relations dimension: The shop stewards, who were the vanguard of the extreme left had literally gained control of the company. They, not the managers, were actually doing the recruiting of labor. It had become like a great big worker cooperative—without any cooperation.

So, really, BL was managing change but on a very big scale: 196,000 people, enormous losses, market share going down like Ford's in the States a few years back: Just going off down like that.

What was the biggest headache at BL? The government, the union, or internal management organization.

Edwardes: Top management was the single biggest problem. You couldn't deal with the unions; you couldn't achieve credibility to get the government to back you without the people's perception of a dramatic change in management. You had to change it in two or three years from a company perceived as the worst run in the world to one of the best run in Britain. Today, it is no longer the press's favorite whipping boy; its profile is lower; its reputation is that of one of the better managed companies. If you check on its management today, you will find that John Egan of Jaguar, Ray Horrocks and Harald Musgrove of Austin-Rover, John Neill of Unipart, David Andrews of Leyland—have stayed in their roles and pressed ahead with the strategies we agreed to in the late '70's.

Good managers and management was the sine qua non—you couldn't improve the industrial relations side or government side right without getting that right.

You made a large point of being both chairman and CEO as a condition of accepting the BL job. Why?

Edwardes: Yes, and I'm going to do that again if I take on the Dunlop challenge in the next couple of weeks. Once a company is right, I believe you want a non-executive chair-

man. At BL, getting it right required the authority of a combined chairman and chief executive.

What authority did you have as chairman that you would not have had as chief executive? Now, bear in mind, I'm an American.

Edwardes: My authority as chairman was two-fold. One is a real position in that you have far more influence on the way in which the board acts in terms of policymaking. That is very significant. All major investments, all major policy changes, all negotiations with the government involve the board and, therefore, the chairman of the board. Within weeks of coming to BL, I changed the board from one that was wholly internal to one that was predominantly non-executive. Because they could overrule the executive, it was important that I be chairman and chief executive during the critical phase.

The second reason, which you wouldn't fully understand in the States, is that in this country we have what I call "chairmanitis"—undue respect for the chairman of the company, and often too little for the chief executive. In dealing with the unions and the government, my standing was far greater perceptually because I was chairman. It was important psychologically. When we eventually got the company back on an even keel, the first thing I did was say, "We need a non-executive chairman to succeed me, and two chief executives—one for each part of the business." So three people replaced me. I believe in a non-executive chairman in the long run because he is more detached and more objective than a chairman and chief executive. But it's a question of timing.

What did you bring to BL? What did you do that your predecessors had avoided doing or chose not to do?

Edwardes: First of all I decentralized the business and allowed the various marques, like Jaguar and Austin-Rover, to become reestablished and have their own identity. British Leyland had lost a lot when it wiped them out in favor of a functional organization. And, of course, the key thing I did was change the managers.

That's what you did—but what did you bring to BL that made such a difference?

Edwardes: I think what I brought was an attitude. An attitude in two respects: One, that I believe that the business wasn't there just to employ people—it had to be competitive. We couldn't think of it as a government-owned political operation. Previous boards assumed the government would bail it out; that if BL really tried to close factories, the government would stop them. I went in on the assumption that they would not stop me and my strong new board. I went ahead and did it. We closed uneconomic operations and no one stopped us.

The other thing we introduced was communication. My whole approach was to communicate with every man-jack in the company and tell him what was going on, whereas my predecessors were inclined to fudge it.

In doing what you did, how much of an advantage was it to have been, as you put it "at the brink."

Edwardes: None at all. When people are at the brink, particularly in Britain, it causes a demoralization that actually works against you. People behave in a nervous, frenetic way. People actually get suicidal when things are as bad as that in this country. When the company was at its lowest and most likely to go under in 1977, it had a 10-to-15 week strike! In the United States they would do the opposite: They would forego salary and wage increases.

In this country, you need a business that it is coming back from the brink, and has hopes of success before you secure cooperation—not one that it is about to go under. Once that was done, the unions played ball because they did not want to be seen to stop the possibility of success.

You see, there are two different things here. The fact that the company was about to go out of business before I came in seemed to make no difference to the workers' behavior. What made the difference was that I was prepared to close whole sections of the business. That was different. While there was a threat that the *whole* thing would go out of business, the work force didn't believe it; they didn't believe the government would let it go under. What brought them to their senses was when I said if "*that factory* doesn't play ball, I'm closing it." That is what made the difference. Within the first three months, after we closed the factory in Liverpool, they believed us.

We played what I call "the game of consequences." You strike in Bathgate and we'll cut your capital expenditure by whatever the strike costs us. I said, "I'm not threatening. If you strike, you take away L 15 million in business and we'll never have that 15 million again. We have limited resources. So if you spend it on a strike, you have spent it. Why should another part of the company subsidize you?" We cut 15 million out of Bathgate's capital expenditure budget and we never put it back again. That's the game of consequences.

Let's skip your interim assignment at Mercury. Just a few comments about ICL—which I gather has been shorter than even you expected because of STC's bid.

Edwardes: When ICL came up, it took me five months to decide to do it. The fact that I wasn't to be chairman and chief executive nor was I to be just a non-executive chairman caused the hesitation. At Chloride, I'm now non-executive chairman and Ken Hodgson runs it. That's clear cut. But at ICL, I was expected to work four days a week and have a chief executive under me. For me, that was somewhat frustrating. I took it on because the chief executive needed somebody. It worked because there was a lot to be done and we worked well together. But the takeover by STC was a relief in many ways. It secured the company's future—did what I was trying to do, at a stroke—and freed me to do something else. Incidental, but helpful, was a £380,000 profit on my stock options. The ICL board had been generous in offering me these stock options, partly because the company was at a vulnerable stage of its recovery. My predecessor, Sir Christophor L. Midlaw and his team were well on their way to recovery, but not quite there.

Was the takeover a surprise?

Edwardes: Half an hour's notice. It went on the big board at the stock exchange at 12, and I got a phone call at 11:30. It doubles the size of the business. ICL at a billion-pound annual turnover was too small. Combined with STC it's now two billion; it has more muscle; and the customers perceive it as a much more solid company, instead of one that had just came out of near insolvency.

Let's go back to the BL experience. After World War I, they sang a song "How do you keep the boys down on the farm after they've seen Paris?" What do you do after such a heady experience?

Edwardes: Well, there's been nothing, and except for Chrysler, I doubt if there has been anything as heady. BL had collaboration with the Japanese, it had closures, it had political entanglements, it had Treasury dealings, it had market competition, it had the problem of reestablishing the company in the city—as was done with Jaguar recently, which, of course, floated (went private) for £300 million.

What do I do next? I've made up my mind that I'll either do a chairman and chief executive job with another company in trouble or I will do nothing. I've had twelve offers, during September and October, all of which I have turned down.

Does that mean that from now on you are strictly a. . . .

Edwardes: Company recovery man? No but I think I'll do this one last one—at which time I'll be 57, when I'll be ready to spend more time in my holiday place in South Africa.

I'll keep my non-executive directorships, but I'll back off from a major line role in three years. What I'm not going to do is to be "half in charge" I'm on a number of boards and non-executive chairman of several. But I either have to have a thing that I *am* in charge of or something that I'm clearly *not* in charge of. What I can't do is have another halfway house, which was what I did with ICL.

Well, as non-executive chairman, how much weight do you pull?

Edwardes: One pulls some weight as non-executive chairman, especially as one influences the choice of chief executive.

With limited time to give, on what basis do you make judgments about the CEO?

Edwardes: I go by performance—and behavior of the chief executive with the board. If the chief executive knows what he's doing and the board goes along with his reasoning, and if he's credible, I back him. If he loses the confidence of the board, I counsel him, help him; and if he can't succeed, I advise the board to change him.

What did the BL experience cost you?

Edwardes: It left me with tremendous withdrawal symptoms for nearly a year. I knew I was right to go to BL in the first place. But, after BL, well, there's a reaction when you come off the adrenalin. It's anticlimactic. I took the Mercury post—a small part time role—as part of my "decompression" phase.

One last question: Can I put any significance on the fact that when we look at Britain's three sickest industries—coal, steel, autos—we see an American and a South African trying to pull them out?

Edwardes: It's cultural. South Africans, like Americans, are direct. The British are somewhat subtle. The average British employee prefers the direct, frank approach. He responds to it better than he does to subtlety. Perhaps this helps to explain the phenomenon.

"Back From The Brink" Extracts[1]

British Leyland—rechristened BL—comprised all of Britain's domestic car and truck producers other than Rolls-Royce, it had ⅓ of the British car market. As a nationalized venture, with minority public ownership, it was too sick to be considered a candidate for the privatization planned by the Thatcher government.

Sir Michael chronicled BL's come-back after his departure as CEO. The few selected extracts supplement some points emphasized in the interview.

Coda

If I have reached any conclusion from my experiences so far it is this: If there is a touchstone to human attitudes, that touchstone is change. How nations, how businesses, how men and women come to terms with change is a measurement of themselves.

On the Chaos at British Leyland

We really were at the wrong end of a sheer cliff face and the climb would require energy and resilience.

* * * *

. . . why was the company in state of chaos? Why was the quality of our products very bad indeed? Why were inventories out of balance and excessive in terms of money tied up? Why were deliveries of cars uncertain and unpredictable? Why were no factories achieving targeted rates of production? Why had disputes run at more than two million man hours for every single month in 1977? Why had managers in some plants abdicated major functions—such as recruitment—to shop stewards? Why was all communication with our employees only effected via the union system? Why were we continually losing good men? Why were dealers defecting to competitors? Why were problems and confidential documents being leaked to the press with embarrassing regularity? These were some of the questions that I had debated with senior executives—and with my main Board colleagues, at less frequent intervals, but with equal frustration. . . .

We had a classic case, on a massive scale, of faulty executive appointments—the wrong people in simply hundreds

[1] Reprinted by permission from "Back From The Brink," by Sir Michael Edwardes, 1983, William Collins Sons & Co. Ltd., publishers, England.

of key jobs—and only a change of organisation would provide the fludity in which personnel changes would be the norm. It had to be done speedily and, like a heart transplant, we needed to sew the patient up as quickly as possible after surgery.

On Reorganization

At first I felt able to trust only three people in a company of about 198,000, and I would bet that the feeling was mutual—at that stage 197,997 didn't know what to make of me, and it took a few months for mutual trust to develop. The three people had come with me from Chloride.

* * *

My plan was to devolve authority, drastically cut headquarters staff and put much greater responsibility back where it belonged, at the operational level. . . .

* * *

Too many decisions which should have been taken at factory or divisional level, where the facts were known, were being taken at Marylebone Road (Leyland House) in London. It was like wading through treacle. . . .

* * *

The Cars structure was claustrophobic and its philosophy was a disincentive. . .Great names like Rover, Austin, Morris, Jaguar and Land Rover, were being subordinated to a Leyland uniformity that was stifling enthusiasm and local pride.

* * *

For the only time in my business career I imposed a decision on senior colleagues against an overwhelming majority view. . . I told them that we would reject the COG (Cars Organization Group) recommendation (to retain the functionally organized structure) and start the process of decentralisation. Names like Austin, Rover, Jaguar and Land Rover, would be resuscitated at factory level, and we would cut headquarters numbers both in London at the corporate level. . . .

* * *

We decided to rename the company and to bury British Leyland Limited. The company needed silence while it gathered strength and got its house in order. . .The only way to do this seemed to be to provide the holding company with a low profile uninteresting title, and so BL was born—not a popular move with the media.

* * *

There is no better way to achieve mobility of executive management than to change the structure sufficiently to create transparency—that is to create a climate in which each and every job must automatically be subjected to a spotlight; the appropriate staffing of each job (or even whether it should exist at all) must then be thought through in depth.

Of the top 300 managers, 60 were recruited externally by selective search plus psychological assessments. . . .Of the other 240, no less than 150 managers found themselves in new positions, often because of the need to get "line" people into "managing" jobs and "staff" people into basically advisory jobs. Too often there were staff men—excellent men—getting nowhere in jobs that required tough line types. . . .

The triggering off of so many dismissals was very painful indeed, both for me and for the other company executives who were involved in the decisions. Fortunately most of those who left have done well in the more "normal" climate of companies that operate under more moderate conditions of stress.

* * *

It took all of 1978 and 1979 to bed down. Business is about people and it was only at the end of this exercise of getting enough of the right men in key jobs that we began to take a real grip on the business.

On the Board of Directors

The restructuring of the Board was a vital step, and it had to be done—and was done—in a matter of days, before ranks closed against change. It is always in the first days of a crisis that the situation is fluid; after that the bureaucratic treacle sets again. Anyway, change cannot be managed if the Board isn't right—you must start at the top.

* * *

I was determined to have a small Board, for a number of reasons. . .there would be occasions when panic or crisis required speedy communication. Anyone who has cleared a four-page statement, or a long letter to employees, or a complex letter to a Secretary of State, with Board colleagues over a weekend, by telephone, will know that dealing with six people is more than twice as efficient as dealing with fourteen. Six or seven people can get on a wavelength, even if the odd one among them has slightly unconventional ideas.

* * *

Above all British Leyland needed a Board that had stature and was of an independent mind, and so could help avert undue NEB or government intervention. . .this "independence of spirit" was fundamental in keeping the compay free from noncommercial pressures and from periodic attempts by government to interfere and "second-guess" Board decisions. . . People, in short, who were free and ready to resign if need be.

* * *

Knowing what I now know I would not take on a major restructuring of anything if it meant policy being determined by more than nine or ten people.

In an ideal world, the chairman of a major company can devote his time to the key issues of strategy and man management which will determine his company's commercial future. But if he is reporting to an uneasy shareholder who owns more than 99 percent of the company, complications set in, and when that shareholder is the Government, the chairman has to accept that he may well spend as much of his time operating in the political and quasi-political arena as he does in the commercial arena.

On Government Ownership

A public sector organisation which cannot play the Whitehall game—that is guessing down which corridor the real power lies and gaining access to that corridor—starts off with a crippling disadvantage in arguing its case with Government.

* * *

There is much nonsensical talk about ownership. The social distinction between state and large private sector company ownership excapes me. The real difference is to do with accountability. . . . In both cases the "primary" owner of the shares is the man in the street. The major difference is that in the case of the state-owned companies he can only have a major say in investment policy once every five years, at the polls. Even Members of Parliament have little influence on a determined Cabinet, particularly if the Government is in an unassailable parliamentary position.

But of course, there is a practical distinction between private and public sector companies. . . In the private sector employees know the company is vulnerable to takeover, to failure, to market forces. So do its managers. There is a great incentive to survive. . . .

In most state-owned companies there is not the same feeling of vulnerability and employees and even managers feel protected by government muscle. The Secretary of State's criteria are not always commercially orientated. Reality is blunted, the pain is reduced, the consequences of actions do not come screaming through; the strike that would kill off a private sector company hardly makes a dent on Her Majesty's Treasury.

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In my early days as Chairman of BL, I was effectively reporting to two people—Sir Leslie Murphy, who acted for our majority shareholder, and Eric Varley, who could not stand back as much as he would have liked as Secretary of State for Industry; he was continually pursued by a Parliament which was understandably uneasy about the amount of money being spent! Labour Governments may be obliged to spend money in support of their policies, but they don't enjoy doing it.

* * *

I do not for a moment question Parliament's right to seek all kinds of information about activities in the public sector or to expect the closest possible government scrutiny of these matters. But if these tendencies are carried too far, then Parliament needs to understand the costs. First, state-owned companies will face substantial penalties compared with their private competitors, because of diversion of top management attention from running the business, and because of the greater transparency of their affairs. Second, top flight management will not be attracted into these companies if they know that they will be constantly subject to "second-guessing" and exposed to criticism; especially from quarters which have no basic expertise in the business field.

On Leadership

Business is about leadership; it requires understanding, courage, single-mindedness, drive and an ability to persuade and lead others. To manage change one often needs to change managers, which is not much fun; particularly managers who fail to involve their people and so secure their full commitment.

* * *

If you "second-guess" those responsible, you demotivate and sharply reduce effort and commitment. It doesn't pay to "second-guess" 100 percent in order to lift correct decisions from 99 to 100, for the subsequent effort of those who are "second-guessed" can be heavily diluted!

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In essence my message is simply: "change needs to be manageable in order to be managed."

To overcome inertia one must identify the actions needed and then lead people into facing up to personal responsibility; they must be made directly accountable for specific actions. People need to feel part of an overall strategy and feel they have some responsibility and involvement in decisions which affect them. No amount of table-thumping in the boardroom will achieve optimum performance from senior executives, middle managers or the shop floor if they do not understand the reasoning and accept some responsibility for their own actions.

There is another catalyst for change—space. Not celestial space, but the very down-to-earth space people need within an organisation to carry out their particular contribution. People need to be able to breathe. This is a territorial imperative.

JOHN C. EMERY, JR.[1]

Chairman and Chief Executive Officer
Emery Air Freight
Wilton, Connecticut, U.S.A.

Photographs © William Lufow

Emery Worldwide is a $800 million air freight forwarder on the way to $1 billion.

John C. Emery, Jr., son of the founder, joined the company as a truck driver, moved through the ranks to become its president in 1968, CEO in 1975 and chairman in 1979. He celebrates his birthday on Bastille Day, his most recent was his 60th.

Harold Stieglitz: You now carry the title of Chairman, President, and CEO. Two years ago you were Chairman, CEO. What happened—and what were the differences in terms of your responsibilities?

John C. Emery, Jr.: Two years ago, I had a president who was a former military general. I had asked him to join our board of directors. Then, when Emery adopted a new strategy—operating a fleet of 67 airplanes, flying across the United States between 130 cities—I figured this general, with his experience, would be an excellent operating head of the business. I didn't know zip about running an airline. But what I forgot was that they don't teach generals how to run a business from a bottom-line standpoint. I found a couple of years experience with this—with his keeping the cards too close to his vest—was too frustrating. Things weren't getting done, we were losing market share. Finally we agreed to disagree and parted company in January, 1983. From that point forward, the business has taken off.

As chairman, I had concerned myself with the long range side of the business—how we were going to get there from here, given the new elements of competition that were giving us a fit—thanks to deregulation by President Carter and the upsurge of Federal Express and other major competitors.

I concentrated on communications with the investment community. A larger job was putting together a blue ribbon board of senior executives from the top 100 corporations of the world, all of whom have had to meet a payroll on Fridays, just like I do. The care and feeding of that board—some 36 meetings a year of the board and its committees—takes a great deal of time. I was relying on our board for the best possible counsel. There was a lot of preparation involved in getting their responses on the issues that you want their input on.

I assume as chairman, for all practical purposes you had only the president reporting to you—which, in effect, isolated you from operations.

Emery: Not completely. I did have the functions of strategic planning and corporate and financial communications reporting to me, plus the general counsel and the person in charge of property and facilities. So I did have some staff—but operations, no. Now with the addition of the president's title, I'm back into operations and I love it!

But, thanks to having some very good people as my chief financial officer and my vice presidents and general managers of domestic and international, today I am 60 percent future-oriented, just as I used to be as chairman, and 40 percent dealing with the real world of today.

Come back to your Board. It sounds as if you spend all your time in meetings with them.

Emery: Thirty-six meetings in the past year. I have a finance committee, an executive compensation committee, a sales and marketing advisory committee, a retirement advisory committee, an executive committee—and a board of directors of some 11 souls—and I'm the only insider.

You take your board seriously?

Emery: Very seriously—I really do. And communication is not just at the 36 meetings; communication is by phone. I have an automatic teledialer to every one of my directors. I can push a button, get the director on the telephone, and ask him his thoughts about this or that. And it's a constant exchange of letters.

Just today, a letter went to my nominating committee in which I proposed an individual as a member of our board: I said, "I'd like your thoughts; would you like to get together for lunch before we address the board of directors in August—let's do it."

Looking at your annual reports for 1982 and 1983, it's clear that 1983 was a real turnaround for Emery. What did you personally contribute to that turnaround?

Emery: Great skill! [Laughter.] One of the things I wanted from our former president was innovation. So when I took back the title, one of the first things I did was dust off and reintroduce an Emery Urgent Letter product—something I pick up from your desk at The Conference Board and deliver across America tomorrow morning for only $14, desk to

[1] Published in *Across The Board*, March, 1985.

desk! We didn't have that service—we created it. Our size-weight allowance beat that of the competition. Second, we came up with some new international services. There had not been a company that provided a true international door to door service for products, or no one in the industry was offering it on pieces the size of this desk. So we created three levels of international service. First class, international door-to-door service; then a business class, in keeping with the public's understanding of classes of service on an airline. The guys in front gets the best treatment—the guys in the business class get the second best treatment, and it covers all weights, all sizes, any value, door to door, anywhere in the world.

Were those your ideas?

Emery: The Urgent Letter was my idea.

What I'm trying to get at, obviously, is the extent to which you acted primarily as a goad in the sense of saying, "Look, we need some new ideas," and the extent to which you had to be the source for some new ideas.

Emery: The Urgent Letter product, which I kind of fathered, was the goad that produced the better ideas from other people as they saw a receptive corporate mind. The international first-class door-to-door service was the idea of our international vice president, whom I encouraged because it was obvious we needed some new service innovations in this area. I think that the staff response is in direct proportion to the amount of encouragement they are given by senior management. I tried to set an example of the type of new ideas that we needed. The general was not looking for these new things that would stir up the organization: come up with new services, new concepts, new pricing—new everything.

The track I'm on today involves our owing banks millions of dollars, whereas years ago I didn't have any debt on my balance sheet. I was the biggest customer the airlines had; we had to change from an air freight forwarder, a cash variable expense type of business, into a highly leveraged, capital-intensive, national air-cargo system of the future. Basically, we are now running our business from the customer's desk. What he wants to buy is more important than the way I might prefer to operate. I might prefer to be an air-freight forwarder, as I used to be, and not borrow 130 million bucks—but that's what the big change is all about as I pilot this ship through an aerial dogfight with the competition.

Where did you get the savvy? How did you figure out that you'd have to do what amounted to a complete flip in the way you operated?

Emery: In 1979, I said to myself that I think we'll have to change the way we do business. The customer doesn't care whether I get his shipment to him in my airplane, in a United Airlines airplane, a DC3, or even on a truck, as long as I do it predictably, reliably, dependably, and always on time. I had been running to the airport late at night trying to send a million pounds of cargo across the country via existing airlines that simply weren't prepared to handle it. They insisted I use their daylight passenger planes. I could not compete with the Federal Expresses of the world who were running their minature airlines. So I asked a consultant [McKinsey and Company] to help me restrategize the future of the business. After about two years, we could see that developing a future system, not based just on small packages, but on "any size, any weight, anywhere" would be the strategy with the greatest appeal for the *Fortune*-500 companies. One Emery truck could back up to your dock each day and pick up your letters, your envelopes, your small packages, your big computers, and do a total service job for you, domestically or internationally.

I couldn't determine that alone—that's why you go to consultants, to come in and help you see your business in a way that will meet the needs of the '80s and '90s.

You've been CEO for 8 or 9 years, have about 5 more years to 65. Are you going to retire at 65?

Emery: I don't want to. If the Board wants me to, that's something else. We don't have compulsory retirement, but no one before me continued as CEO beyond 65. My father didn't do it and the guy who preceded me didn't do it, so there would be a question of whether I could.

I'm not sure I'd want to. I believe I would just as soon pass on that CEO title to the president, the guy coming up behind me, but continue as chairman.

The question really is: How will you know when you're finished as CEO?

Emery: I'm not sure I would know. I do have a corporate 5-year plan, but I don't have a personal one. As long as I'm having fun with it, I'd like to continue—that's what keeps me young. Maybe when the juices dry up, when the enthusiasm is not as great and you're not the guy that is the head cheerleader anymore because you're starting to age faster, maybe that'd be the time to go.

I think a lot of it is how your staff reacts to you. I feel that today I am the spark plug that gets people up in terms of where we're taking this business. It was a $30,000 business in 1946. About 15 years ago it hit $100 million. This year we're going to pass the $800 million dollar sales mark—and we're driving it to be a $1 billion-dollar business in 1985, and probably $2 billion by 1990. All the steps along the way require a great deal of time in terms of the planning and insuring that management capacity stays ahead of corporate growth.

The biggest problem I have is the company growing too fast. Then its tough to keep up with it in terms of the facilities and the organization I need.

I have no motivation to stay here and take care of one more detail. I think it's the fun of being involved in a industry which is really less than 40 years old. It's an industry which is going to explode in terms of its future importance. We happen to be on the ground floor of something that I think long term is going to be a much more important element in transportation than it is and has been in the past. I'm totally involved and enjoying the results, including the team of people that I've put together in the last two years as we really run the business on a brand new track.

If I get hit by a truck, there's a fellow right next door to me who could be put in my job tomorrow morning. But if I don't get hit by that truck, our board wants to see a little more evidence of his ability to handle the whole thing. I know he's got it, but they've got to see it; they've got to see him handling the sales and service end of the business as well as the financial.

What do you bring to the business that he can't? What is the special quality you bring to the CEO's job?

Emery: I bring marketing, human relations skills, an ability to find the right people, and the skill of being able to lead them as a team but recognize their efforts individually.

I think of myself as a professional manager—leadership is a large part of that. I try to reach out and touch people. That's the leadership part. I try to involve myself with all levels of the firm.

For example, I just came back from a 31-city tour of our offices. My purpose was to make sure this organization and our plans were working, that people were in favor of what we were doing. My second purpose was to shake hands and meet every person in the offices, to chat with the truck drivers, the secretaries, the people on the telephone, and so on—to show my interest in them and in our business from their local Wichita, Kansas, perspective. Leadership takes on many forms, but the part I enjoy most is the part of dealing with the people at all levels, and having them feel and understand the job they're doing is very important. They are Mr. Emery in Wichita, Kansas, and in Tokyo, Japan.

The decision-making process, with your emphasis on people—I assume it's highly collegial. You look for consensus.

Emery: Consensus is mediocrity. Since the bucks stops here, since the final responsibility has to be mine, I've got to agree with it. My role is more important than simply consensus by itself.

So what are the areas you feel most strongly about, those where you call the tune?

Emery: Integrity, morality—those are the things that I reserve ultimately and finally to myself. On those issues, there isn't anybody higher—except the Board of Directors, I suppose—than myself. One of my greatest responsibilities to my shareholders is the manner in which we conduct our business, and that's where integrity and morality come in to play. It's the foundation stone of our business.

If I were to characterize what you're talking about in one word, I'd use "values."

Emery: No, I think that corporate Christianity comes closer to it. Here's an article called "Corporate Christianity" that recently appeared in our local paper. It's about the rector of St. Lukes, Episcopal Church in Darien [Connecticut]. After six years he wanted a three-month sabbatical, not to go sit on some island but to go find out more about the people, the businessmen, whom he's been talking to from the pulpit. This guy has been preaching to me for years about the things I'd ought to do or not do, and now he was stepping down from the pulpit, coming down to my level, to understand what I did, to find out what kind of Christian ethics and morals I employ in my business.

I invited him to spend a week with us, to talk with every one of our vice presidents and anyone else, and at the end of that week to come back here and, without naming them, tell me what their concerns are. I really wanted feedback on how they view their jobs, themselves, the business.

It was a fascinating experience for me. To cite one specific, I learned that some of my staff were concerned that too often we were going outside to fill some very key positions. I had been searching for a vice president of domestic sales and service, and I hadn't found this paragon of virtue in the six months I'd been searching. As a result of the rector's feedback, I took another look and I finally discovered we had the guy right in front of us, our vice president, human resources, who had been doing an outstanding job for four years but who had been too diffident to step forward during the search. So, the rector taught me that some of the best people you've got are not out there waiting to be called, but they're right inside. You just have to look a little bit more carefully and start examining all the strengths they learned in the business.

In this article, the rector, Walter Taylor, says: "As you go around headquarters at Emery, you can sense that there are standards and there are styles as to the way things will be done. The company is a reflection of its president, John Emery, and everyone seems to be very enthusiastic about that reflection. It is interesting to me that even in a company that size, this kind of influence can be so evident. It tells me that one person can make a difference. The result is that people at Emery, and, presumably, at many other corporations, are indeed trying to make ethical and moral decisions in their work. They are concerned about what will happen to people as a result of their decisions and they are concerned about acting in concert with the spirit of their organization."

Let me give you the gospel according to Emery. I tell our people, "People buy people first and companies second. They've got to believe in *you* before they believe in the company—they got to believe in you, the Emery driver, before they believe in the company that stands behind you."

The second thing I focus on is that you should have three priorities in life. Never get them out of order. Your first priority, in my book, is your personal health—without that, you've got nothing. Second priority is your family—you're not put on this earth to work for Emery Air Freight or anyone else, but to take care of that family that God gave you. And the third priority is your job. Never get those out of order. The day you put your job first and your health starts to suffer and your family relations go down the drain, you're in real trouble on all three fronts.

Do you follow that yourself?

Emery: Absolutely. I can't preach it without following it myself. I sincerely do follow that pattern—which is not to

say it was always so, particularly when I was climbing the corporate ladder. But I accept the idea that when I hire you as an employee, I take responsibility for your family. That family is on my mind—I want them to be enthusiastic about my business. If that family is not enthusiastic about my business, if they think their husband or wife is being misused, I've got trouble.

What are you doing to make sure that when you walk out, this insistence on integrity, morality, human values doesn't walk out with you?

Emery: I don't think all of the philosophies will be maintained, but I think enough of the best stuff will hang on. Assuming that I continue on the board of directors, even without a title, I would make sure that it is carried out, implicitly. The reputation of this company, which was founded by my father, whose son is now trying to keep it going, is so critically important to those 7,000 shareholders and 5,500 employees that I could not let these people down. But they have heard me preach enough. They know where I'm coming from and they have seen, in living color, the example of what I am talking about. You're a product of your environment, and if our people are products of their corporate environment, they will carry on and probably add some ideas that are even better than mine. If my name wasn't on the planes, trucks, and over the front door, maybe I'd feel differently.

SIR REAY GEDDES[1]

Former Chairman—Dunlop Holdings, Ltd.
Former Deputy Chairman—Midland Bank
London, England

Dunlop, Britain's premier producer of tires and rubber products, operates worldwide. Sir Reay Geddes joined Dunlop in 1935, served in various capacities before becoming its chairman from 1968-1978. After his retirement from Dunlop, he functioned as Deputy Chairman of the Midland Bank until his retirement from all business in 1984. Sir Reay is now 73 years old.

Harold Stieglitz: From your vantage point, has the job of the chief executive changed significantly since you were a chief executive?

Sir Reay Geddes: Yes, it has become a lot tougher because the environment has changed so greatly. Let's take external changes first: Fifteen or sixteen years ago, governments still thought they could keep their economies rolling by managing inflation. On the whole, the chief executive in these countries was on a belt that was moving forward. Surely he had to foresee change and adapt to it; but, he had a wider margin of discretion; because the belt was moving forward; he could afford a mistake every now and then.

Then came 1973 and the world's first simultaneous boom; everybody boomed because of inflation. On top of that came OPEC, with its major shifts of wealth and opportunities. Money supply had to be reined back. This, of itself, was not intended to be deflationary, but monetary policy at least had not to be inflationary.

Now, add competition as one of the external factors. The continuing work of the Kennedy Round and the Tokyo Round and all the tariff reductions has sharpened competition. This process was, of course, exaggerated by the change from managing inflation to the monetary control that led to recession.

An entirely new regime that nobody had foreseen began to operate. There were many sectors of industry whose capacity had been built on what turned out to be totally false assumptions. OPEC, for example, froze the motor industry. The industry did not know what to do for several years, and ended up with much too much capacity—not only for numbers of cars, but size of cars and, therefore, weight of metal and, therefore, weight of tires, and, therefore, the weight of everything. All these things accumulated to make competition harsher.

At the same time, Japan and the NIC's [newly industrialized countries] were growing up and getting on with great zest. So pressure for protectionism spread. This whole protectionism issue gave rise to great tension between governments and businesses, between the open-trading people and the protectionist people.

Have European business leaders contributed to the solution, or have they been part of the problem?

[1] Partially published in *Across The Board*, April, 1985.

Geddes: These changes in the external environment have all been an expression of the growing interdependence of the elements in the world economy. Unfortunately, in most businessmen's minds interdependence has become a danger to be resented and resisted rather than something to be mastered and exploited. I believe that business mentality is adapting to this interdependence ahead of governments, whose nationalism has grown stronger through the recession, and that is has led to the sorts of industrial policies that are designed, in the main, to have an effect domestically—but that distort international trade.

Of course, the prerecession period left behind a lot of political attitudes. Above all, in Europe it left behind the welfare state and a mentality that emphasized social rights rather than duties; that is, the feeling that it was somebody's job to allow people's aspirations to be realized.

Hence, to the other difficulties, including rapid technological change, was added what has become known as "Eurosclerosis." It had taken from World War II to the 1960's for British and European trade unions to believe in full employment. The moment they believed in it, it was gone. It is now taking a painful period, abou 10-years old but not yet completed, for them to undo that belief. This is why the United Kingdom, Italy and France—less so Germany—have had to deal not only with economic change but with the need for a major change in attitudes.

I think that is probably enough to make the point that the external environment has become a great deal tougher, with far narrower margins for error.

Before you leave the external environment, would you expand a bit on protectionism? What I've been hearing lately is "Free trade is dead, long live fair trade."

Geddes: The whole protectionism issue has led to several misunderstandings. The first is that business executives believe in free trade. They don't. They believe in agreed rules in the conduct of trade. The idea grew up that "these other fellows" were indulging in unfair practices. Well, if you have a legal frame such as GATT, you have one thing. But, if you have a woolly concept of what's unfair—if, for example, you say that because a Chinese in Singapore is paid less wages that is unfair, or because the sun shines brighter in Malaysia than it does here, that is unfair—then you are hiding yourself from all the theory of comparative advantage on which the whole Bretton Woods and GATT concepts were built.

I think it was legitimate to describe as unfair trade some of the Japanese measures that were not really government-based but were culturally inspired. For example, I was once told that a foreign company got a contract to build a thruway across Tokyo. It never did, because for some curious reason it could not get any casual [day] labor in Japan. That is legitimately described as unfair competition, as distinct from a natural low-wage situation, or whatever is the essence of competition. I distinguish between something like that and dumping—which is illegal, not just unfair. I believe the time has now come for the protectionists and the liberal traders to stop thinking and arguing in terms of either/or. It has got to become: How do we attain the long-run objectives of open trade and comparative advantage with sufficient consideration for those whose genuine problems have put them in the protectionist lobby against their instincts. The lubricant in that process is *time*. Time and transparency—that is, a realization of the costs and benefits of each protectionist measure.

I interrupted your flow. Have the internal changes been as dramatic?

Geddes: Internally, there have been changes in technology, in the nature and scale of markets for particular products. In Europe, the lack of real profitability led to sluggish investments—to investment for labor-saving rather than for product innovation or increased capacity needed for a growing market.

To illustrate both the welfare-state mentality and this point on investment: The share of British national income that went to wages and salaries during the 1970's increased from around 60 percent to almost 70 percent—at the expense of profits. That was a major swing, and it had a great effect on attitudes. This was the socialist mentality in government that disliked profits; that didn't realize that they were seed corn for jobs. That is why Europe is so sluggish in creating new jobs compared to the United States.

Continuing with the internal things, CEO's had to change the attitudes of all their people—managers and union members. They had to become, therefore, more hands-on CEO's than many had been.

Before you get into that point, are you seeing a major change in the character of individual businesses? Are more becoming conglomerates, or are they cutting back to their core businesses?

Geddes: The diversification was going on when we were on the moving belt. Now, more often, we are identifying our core businesses and putting our resources and our efforts into them. The peripheral ones are for sale or are being closed down. I don't think this is happening yet in Japan or the NIC's, but it is certainly happening in Europe.

Is it happening in Europe because, confronted with a high-risk situation, you cut back to what you know best? Or do you cut back to that which is most profitable or has greatest potential, despite little depth of experience in those businesses?

Geddes: The second more than the first. It is not a very good example but, when I was with Dunlop in the late 1960's, we wanted to reduce our dependence on the motor industry. We wanted to encourage precision engineering for the aerospace industries and other things. The thing we knew best was making tires, but we wanted to cut back on that. Now, ten years after me, Dunlop is in the process of selling the great bulk of its tire business in Europe and Japan, while still keeping quite a large-scale tire business in the rest of the world. It isn't just going back to our roots; it is cutting off the old roots if they don't seem to have the future that younger businesses have.

I would not like to give the impression that European bus-

iness is withdrawing to the old. I do not think it is doing that. I think that it is rather misleading to say there are sunrise industries, sunset industries, and a lot of muddle in the middle. In the middle, there are industries that have sunrise elements in them, robotics in the motor-car industry, if you like. These divisions into categories are misleading, I believe.

One area in which what I've been saying about diversification does not apply is in the financial-services industries. Banking, insurance, time payments, house mortgage investment and the like, which were all separate, more recently have been coalescing into a broadly based industry. They are not yet at the stage where they feel they have overdone it. It was good to break down some of the barriers, but it may go a bit too far.

Now, the change in terms of the impact on the chief executive's job.

Geddes: Well, the first point was the closer hands-on kind of management.

By "hands-on management," do you mean that the chief executive becomes more fully involved in the operations of the company?

Geddes: Yes, it means that, and it means quicker reactions to signals. In the easier days, if one noticed something going off track, one would say to the man in whose job that work was: "Look, John, we're getting further away from plan on this. You see the point, don't you? We have to get that right" Now one says: "Look, John, you see how this is going wrong? Could you be ready by Monday to tell me what the origins of the problem are and the solutions?"

The latter, in your terms, is "hands-on management?"

Geddes: He is closer in terms of nearness and time.

I hear you saying that the CEO used to be able to distance himself from the company for a longer period of time and take a loftier point of view. Now, he has to exercise far closer surveillance. But he is still operating primarily at the planning and policy level, as opposed to having more hands-on involvement in marketing and production decisions.

Geddes: Yes, not only watching them but driving them harder. It is a sharper form of leadership. Of course, somehow—and he does it mostly on Sundays—he has to give himself time to ponder things that have longer-term effect. In this present situation, he has to go out and inquire among his fellows, he has to read more, and he has to become more numerate, and quicker at selecting the numbers that matter—or asking for the ones that aren't there. His absorption, which used to be largely by osmosis, now has to be on hard data and information flows. It requires very careful use of management by exception, a phrase, that has become rather too narrow in meaning. But it is getting the information that tells him what he needs to know, but without clutter.

Also, the chief executive officer's responsibility for foresight has been made more difficult by the unpredictable consequences of government interventions. When we were on the moving belt, you could have elaborate planning departments and place reliance on statistically based forecasting and planning. There still has to be a considered use of these modern tools, but with the recognition that the element of judgment is a high part of the CEO's responsibility in the end.

Judgment, hunch and feeling could not be removed as much as the economists whom everybody had on their staffs thought it could be. Take a recent case: European dairy farmers are now in a great pickle because they've been told they must produce a bit less. Well, two years ago, the wiser ones were saying: "We'll go on expanding a little bit, get as efficient as we can, and get the benefit of all the grants. But this can't last so I'm not going too far out on the limb. I'm not going to specialize so much just because the grants lead me that way." That process of thought, I think, would have occurred in a lot of industries.

Another point: The very wise companies have always paid a lot of attention to career planning—not just whom have we got to fill a vacancy, but how do these potential high flyers become rounded people who know enough of the various sides of the business, in terms of both product range and functions, to become better CEOs than their forerunners? So, training, career planning, and experience planning have occupied more time.

In the industries that have felt government regulation and want to preserve as much as possible of self-regulation, a part of that training should recognize that the company at a [illegible] should have an ethos that really reflects an understanding of its role in society—what is permissible and what is not permissible in that role. I am talking morality, at this point, and a statement of business principles. In a rather less formalized way than in the United States, European companies are realizing that they have to understand and train their people in such principles. But they are scared stiff of writing rule books. Their concern is that the people will only stick to the rules: If it's not in the rule book, it's not their responsibility.

The European approach is more flexible. It is based on a real understanding of the given principle, but with the individual carrying responsibility and accountability for applying the principle in particular cases. I am not thinking only of corrupt practices, but that is the most publicized aspect.

You're saying the total relationship of business to the local and larger community is being redefined?

Geddes: Yes. And much of this has come as a response to the attack on multinationalism. In the United Nations, there is a center that was originally set up for the control and regulation of multinational corporations. It was run by a distinguished Finnish diplomat whom I got to know quite well. When he retired, I reminded him of our first meeting when I had said—and he remembered my saying—"We would like to help you be a success in your job, so you would do less harm than you otherwise might, because I don't really see you doing much good." So this time I asked how the multinationals were getting on now, as a result of his work. His answer was; "I'm beginning to think that multinationality between consenting adults is becoming socially respectable."

That sums up quite a lot about the growing understanding of governments and the growing sensitivity of compa-

nies to their relationship outward, not only to the customers, but to everybody. That relationship includes the duty not only to respond but to be an expert witness before government whenever outsiders, often with the best of intentions, originate new pressures. Governments need advice from practitioners. But we have to distinguish between lobbying of two kinds: first, going to government because I want something that is in the interest of my company; second, going to the government to say: "I'm not talking now particularly about interests of my company, but if you are going to do so and so, there are some ways in which you can do it well and some ways that won't work."

Do you see much more of the latter?

Geddes: It is growing—not fast enough, but it is growing. But that growth, which I believe desirable, has been impeded by the need to cut costs. CEO's can't rely on the staff help they used to have for this aspect of external relations, and that's a pity.

We see this changed relationship in the United States in the functions of organizations like the Business Roundtable. Unfortunately, sometimes pressures are such, that even they have to revert almost to the straight lobbying activities; self-preservation takes over.

Geddes: What a former chairman of British Leyland would say about the motor industry and protectionism would be a perfect illustration of that point. I am also thinking of another company whose chairman is a young, new-generation man. He is by nature an open trader and for competition. But, for ten years he has had to be entirely on the other tack in order to get room for adjustment and time for adjustment.

Comment, if you will, on another possible change in the focus of the chief executive's job. Does the change in the character of the people who come to work—their expectations, aspirations, attitudes—require a different approach?

Geddes: That was my point in referring to the change of attitudes from the moving-belt period to the tighter period. But induction and training of new employees is getting—and still needs to get—more emphasis of a broader kind. You don't only teach the newcomer to work his lathe; you teach him what his contribution to the bigger things is; you teach him about the company. Now we have to create understanding and support, and what used to be called loyalty, whereas we used to assume it.

That sounds as if it is almost a one-way situation: that management has to do a little more by way of orienting and indoctrinating to get commitment and loyalty. Doesn't it have to operate two ways: Management has to listen more carefully, be far more responsive, further decentralize in every sense?

Geddes: Yes, certainly—but it has to be further decentralization without abdication. I draw a distinction, which isn't just semantics, between *making* a decision and *taking* a decision. Now, by *making* a decision, I mean all the *processes* that go on—consultation, analysis, all the communication and all the participation that build toward the final choices. *Taking* the decision, in the end, is a management responsibility at the appropriate level. The appropriate level will probably be set by the quantity of money and resources involved and the time span over which it takes place.

The shutting down of a plant is always the famous case example. It is asking a lot of the employees in the plant and their representatives to face up to putting themselves and their mates out of work. I believe very much in communication upward, downward and sideways. The whole information-sharing process—meetings, committees and whatever—can contribute enormously to getting this right. But, to me, all of that is advisory to the chairman or CEO who may say: "Well, I have heard you all. You fellows are quite clearly eloquent and sincere in arguing your way. But the company has to do it this way because. . . ." This is what I mean by delegating without abdicating, and hands-on management. You don't leave it for a consensus to emerge. You want a consensus at the end—in the sense that it is an *acceptance with understanding* of the reason for taking a decision that will hurt.

Put it all together, and the job has become more difficult. Does all this imply a shorter term or a longer term for the chief executive?

Geddes: I hate generalizations of that kind. But if you force me to make one, I think that the present situation probably wears him out faster; that nowadays he has given what he can give in five years, whereas it might have been ten before. I was a director of Shell for 15 years, a remarkable group in all the ways we are talking about. They insist on their executives retiring from executive positions at the age of 60—and promptly—partly for the reasons I gave and partly so that the successors' heaviest loads come while they are still young enough and flexible enough to take them.

Are we now promoting the idea that flexibility is for the young and, therefore, we expect to see younger and younger chief executives?

Geddes: You have to balance experience and stature and "gravitas," if you like, against youth. I think there are some people who in their 60's and beyond who are more open and flexible than so-called young ones.

Let me cite an extreme case to make a point. I recall a great ship builder, the grandfather of a friend (who until recently ran the business), who stayed on as chairman till he was 90. In his 89th year, he went on a business trip to the States, and in those days if you went to the States it would be for two months or so. He said to his son, who was in his 60s: "Look after the business. You can open all the letters, but don't reply to them until I get back." Now, I think that's one extreme and we are moving toward the other.

As a consequence of the CEO's tougher job, do you see any substantial change occurring in the role of the nonexecutive chairman? Are the British moving more toward the executive chairman?

Geddes: This is a great subject of debate. I think there are times in the company when the CEO really should be the

chief operating officer working in harness with a chairman—I don't like the term nonexecutive chairman—who may have other outside activities, but who knows his prime commitment is to this company. They would divide, according to their own bent and experience, how much each does of the external and internal things. But I also think that there are times in a company when the chairman and the chief executive should be the same man. If a company is really in a mess, somebody has to go right in and be responsible for everything and get everything done in a hurry. Then there are times when the CEO is not quite ready to become a chairman, and an intermediate stage is desirable. But, if you want a general rule, because of all the external contacts and awarenesses required, the division of the two jobs is likely to do better in big companies.

In Britain, when you divide both jobs, as you express it, who is the chief executive?

Geddes: Then the chief executive is the managing director. But it depends what meaning you give the words. After all, the ultimate boss is the chairman.

Do you mean that if I'm dealing with a so-called "nonexecutive chairman," I can still be dealing with the ultimate boss?

Geddes: Yes, because only he is in the position to judge the performance of the CEO. The board will get an impression of it, but he is the point of decision and the point of prodding, if that is necessary.

Can I change the words and use the term "ultimate accountability"—even for a nonexecutive chairman?

Geddes: Yes, because when anything goes wrong—and this is the test—it is the chairman who carries the can. He could never escape that. To the public or the investing community or the press, he is the boss.

The changes occurring in the role of the chairman and that of the board should not be underestimated. U.S. and European concepts are converging in both respects. There used to be an idea, in many European companies, that the chairman was the man who ran the meetings. He was the dominant influence in the choice of board members, but it was assumed that the company would run. That idea of a part-time chairman—a chairman of ten companies because he could run meetings well—is out-dated. We also have moved considerably from the time when banks, for example, used to have retired colonial administrators and admirals and lords of considerable age on their boards. Almost all of them were chosen for the same reason as bank buildings were made to look imposing. Now, they are meant to work.

The role of the board and its composition must be such that it evolves over time, that it is the spearhead of change in its perceptions and weight. Surely it is the CEO's job to propose policy, but the board's information should be adequate for the members to be able to criticize with depth and perception based on their different experiences.

Does the character of the board in the British company, heavily weighted as it is by insiders, give more power to the chief executive? Or does it cause him to be more collegial—and does it fit your concept of an evolving board?

Geddes: In the normal case, it probably gives him more power. If there are a large number of his people, the role of a nonexecutive outsider becomes increasingly difficult. Insiders are very, very rarely effective directors in giving direction and pace. They rarely join in debate because they say what they have to say in a prior meeting with the CEO. At Dunlop, I tried to encourage them to speak up at board sessions and one or two of them would do it, but this was rare. The others took the line that they wouldn't argue against one of their colleague's proposals or a proposal in one of their colleague's area, so next time he wouldn't argue against theirs.

On proportions of inside and outside directors, I think it should vary between one-third and two-thirds each, with the majority being outsiders—provided they really were chosen to work and not because they are friends of the chairman or customers or something. I don't see any point in having professional advisers on the board or investment people per se. You hire them for advice and bring them into the board when you think they can help the discussion. I do believe that it is good to have a forward-thinking educationalist—a principal of a business school or an unusual president of a college. Very often you want a scientist. I do not believe that you should make your head of research a director because he is a good head of research, but only if he would be a good director—and that would be rare.

You sound very much in favor of the changes and direction that have occurred at the board level in the United States. All the things you advocate are just about what is happening in the United States.

Geddes: I think the United States is good in running companies. I think it used to be rather bad in running multinational companies: It got the rest of us into awful trouble as a result. Some years ago in Australia, to take a case, a well-respected, very big American company bought in all the preference shares owned by the Australian public. Why? Because it didn't want to publish in Australia the real figures from the Australian business. In other words, the effect of its transfer pricing was something that it did not want the Australian public to know about. All the rest of us have suffered from things like that.

Because of history and tradition, the European imperial powers had an awareness of third-world sensitivity, whereas U.S. companies, on the whole, did not. They wanted to run their business in Sao Paulo, Brazil, as they ran it in Oshkosh, Wisconsin. They passed through that stage; they don't anymore. But very much of the antimultinationalism was rooted in the hobnail boots used by U.S. companies.

As long as we're making comparisons, comment on the short-term outlook so often attributed to U.S. chief executives—the idea that the tyranny of the quarterly reports and the financial analysts force them to react on a short-term basis.

Geddes: I don't think the CEO's I know can be accused

of that: I think you're mixing two things. An element of the hands-on management we were talking about is quick reaction to new, noticeable trends. But to say that one reacts with a short-term purpose because one reacts quickly is wrong. You react quickly to revert to and reinforce your long-term purpose. I don't think a good CEO in the States reacts quickly by attacking things that get the quickest results—for example, cutting a research department to save $5 million. I would be very surprised if Robert Anderson (Rockwell), John Bookout (Shell Oil) or Walter Wriston (Citibank) thought only short term!

One last question about style. You may have heard the line that the British try to manage business as gentlemen would—if they were gentlemen. Your reaction?

Geddes: Yes, I have met that sort of thing. I believe that it muddles up style and substance. A chief executive may be quiet, pleasant-spoken, have a great capacity for not wasting words, be a good listener, and behave toward people as gentlemen are supposed to behave. The substance, however, is that because he is a man of considerable confidence, he doesn't have to show that he is doing strong things; he doesn't have to bully. The City of London has grown enormously and has a reputation as a world market for money and insurance quite independent of the health or ill health of the industrial base of Britain. The people now in the City of London—a younger generation with a sharper edge—are more motivated by making personal fortunes than they used to be. They are the people running the merchant banks, running the stock brokerage firms, and running the banks. On the whole, they are the quiet sort of gentlemanly people they always were. And yet they are driving managers; they are entrepreneurs. This is much more style than substance.

JOHN HARVEY-JONES[1]

Chairman and Principal Officer
Imperial Chemical
Industries plc
London, England

ICI, Britain's largest chemical-pharmaceutical company, operates worldwide with annual sales of approximately $13 billion; 60 percent of which is foreign. It has diversified into agriculture business and petroleum.

John Harvey-Jones (61) joined ICI in 1956, having previously served in the Royal Navy and as a Russian and German interpreter. He was elected to ICI's main board in 1973, became deputy chairman in 1978, chairman in 1982 shortly after ICI, for the first time in 30 years, had cut its dividend—a situation soon corrected under Mr. Harvey-Jones' leadership.

Harold Stieglitz: The *Financial Times* this morning called you revolutionary, charismatic, dynamic, etc. Why are they calling you names?

John Harvey-Jones: I haven't seen the *Times* yet, but possibly it's because I'm blunt. I tell it like it is, and not just to my key executives. I believe our people are grown-ups and deserve to know. My job is to hold up a reflecting mirror, to make clear what we are. Beyond that, to give clear and simple directions. But charismatic and all that, well, I'm just a plain ordinary mutt trying to do a very large job.

Could you offer a few blunt comments on what you do to provide leadership?

Harvey-Jones: Look, I'm in the business of getting people to make things happen. That's the leadership job.

My own personal belief is that the job of the leader is to get the freely given commitment of free men. My picture of a successful company of the future is one without the hierarchy of control. I'm much more into switching on than switching off. My job, I believe, is to help create conditions under which guys can do their thing and mesh it into the company without a lot of intricate controls and doublethink and secondguessing. I want everybody to be able to run his own business, but to understand that when that business impinges on the company as a whole, he himself has to make the realignment.

Still as chief executive, I assume you have final say on all major decisions?

Harvey-Jones: We don't use [the title of] chief executive. I am chairman and principal officer. Now that's different from ICI's tradition. We used to have a chairman and three deputies. But the chairman, even though full time, was nonexecutive and merely presided at board meetings. The deputies ran the company. That was a large part of our previous problems.

[1] Published in *Across The Board*, January, 1985.

Now, our board has seven insiders, seven outsiders, and me as chairman. There are no deputy chairmen.

When it comes to decisions, understand that we're in about 500 different businesses. I can't possibly know enough to make the necessary decisions. It's the insiders—the inside directors—who have to make the company go. We make the big decisions. I'm strictly primus inter pares.

Even so, I assume from my U.S. vantage point that no decisions are reached with which you don't agree. That as "primus," you could bull something through?

Harvey-Jones: No, just yesterday the board voted six to two against me on something I had proposed so we didn't go with it. And that's the way we operate. I go with my inside executive directors—unless I feel desperately about something. I've got to convince them of my vision. I'll go in other directions so long as they are compatible with my ultimate visions. Yes, I can push on those things I feel desperately about, and my insiders would go with me. But I can't do that too often.

You've touching on an area of interest: the difference between CEOs in Europe and in the United States. What would you identify as some significant differences?

Harvey-Jones: The basic difference that I see is this: In the United States, by and large, boards of directors are not company executives. And these outside, nonexecutives presumably control the chief executive. In the United Kingdom, the legal board of the company consists predominantly of full-time executives of the corporation. The day you join the board in this company, you know you share the legal responsibility for the future of the company. Therefore, if you are a man at all, you would only go along with the chief executive when you consider it's right for the company. It's a very important difference. In the United States, the chief executive leads the bloody board. He says to the chaps: "Boys, we're going left, or we're going right." If that's the way he wants to run it, that's up to him. But here, if I lose my executive directors in a board meeting, I can actually lose the board vote.

So the fact that your key executives are members of the board who have legal accountability forces top management to be more collegial?

Harvey-Jones: That's right, dead right. Now, I hope I have earned enough respect from my colleagues that I can ride roughshod over their opinions occasionally. But if I do it every day of the week, they can stop me—and that's a very valuable constraint.

One major difference that you perceive then, is that the chief executive in the United States operates with a higher degree of personal authority than a CEO here.

Harvey-Jones: Yes, that's fair enough for one sentence. But I've got as much authority as I want to take. I could push, if I chose to, and the balance of the probability is that my chaps would go with me for a long time.

And what's a long time? How long would they put up with you—with bluntness, with the pushing, and so on—if it didn't pay off?

Harvey-Jones: I have another two and a half years to go on my contract. I wanted the job for three years. They wanted me for five years. At my insistence, they can break my contract at the end of three years and without compensation. I figured that my style might not work, and I didn't want the company to be encumbered with a situation where they might not be able to get rid of me. So, they have a uniquely one-sided contract. They can require me to serve 5 years, regardless of my choice. But they can get rid of me in three instead of five years.

And will you leave at the end of the five?

Harvey-Jones: Yes.

No ifs, ands, or buts?

Harvey-Jones: No ifs, ands, or buts.

Is that because you will be 65?

Harvey-Jones: I'll be just under 63. You see, in practice they can make any contract with the chairman they wish. But, I figure at the end of that period I would have given the most that I can give, and the job should be done by somebody younger—a lot younger.

Can I assume that the reason why you will be sanguine in leaving is because you will feel you have done a very good job?

Harvey-Jones: Well, I'd feel more sanguine about leaving if I'd done a bloody-awful job. I don't want to screw up the company. That's what I mean by commitment to the company. If I can't hack it, the sooner they get rid of me and get someone else who can, the better.

What if you feel you're hacking it but you're not there yet, you haven't achieved all of your objectives.

Harvey-Jones: Too bad!

What if you're in the middle of something and can see it through in two more years?

Harvey-Jones: Well, I wouldn't know whether I could see it through in two more years or not. I've done all my planning of my five-year stint on the basis that, if things work out right, I would have contributed 90 percent at least of what I could contribute [in that time].

So, what if factors beyond your control emerge in the final year or 18 months?

Harvey-Jones: I still believe that I should go. And there are some ignoble reasons for that as well as noble.

Just cite the ignoble.

Harvey-Jones: I believe hanging in there would just look as though I love the job too much, that I love the power and position—and I'm very frightened of being taken over by power. I don't know too many people who, in my view, have been improved by power. I have some personal pride. I try to be a sort of guy that I would be prepared to live with. I just don't want to be corrupted. And I think that a guy who is in the top seat, who hangs in there. . .well, I don't respect anybody who would take that position. I would consider myself less than a man if that was my approach.

I would take that as a noble reason.

Harvey-Jones: No, that's ignoble, because that's pride. I would hate to have the feeling that guys whom I was trying

to lead, were going around saying: "He preaches a lot of stuff, but when it comes to it, he likes the goodies: He likes the parties, he likes the Rolls-Royce, and he likes everything else." That's not what switches me on.

That may not be what switches you on, but it certainly doesn't turn you off.

Harvey-Jones: Some of it does. The Rolls-Royce turns me off. Take last week, for example, when I was away on a holiday with my granddaughter, in a tiny fishing village. About six people recognized me--that turned me off.

You can get rid of the Rolls-Royce.

Harvey-Jones: Yes, I could. When I took over, I debated at great length whether I should get rid of Rolls-Royce. I kept it for two reasons: The company was doing badly at the time, and I came to the conclusion that if I got rid of the darn thing, people might think we really were over the weir. And the chairman of Rolls-Royce, whom I admire very much, rang me up and said, "John, I have a hell of a job selling Rolls-Royces, but, if you don't buy one, I'll sell a lot fewer." On those two bases, I got a Rolls-Royce—but I don't enjoy it. I actually drive most of the time in a Jaguar or any other car. The Rolls-Royce isn't me.

Let me get you back to the differences between the United States and Europe. Would you comment on the time span in which CEOs in Europe have to make things happen?

Harvey-Jones: I consider that my primary responsibility is to make the company perform in the short term. But, quite honestly, Britain is a more forgiving environment for short term under- performance than the States. In the States, if you are not improving your earnings per share all the time, the roof falls in on you. Here, you'd probably get a knighthood—nothing nasty happens to you.

My primary responsibility—the thing that really is bugging me—is to make sure that in 20 years time, ICI is not just one of the top five chemical companies, but is the best chemical company. One of the things I care desperately about is the long haul. So I'm putting money into new businesses, such as electronics and diagnosis, that would probably not pay off for 20 years. But in 20 years time, if I'm successful, the contribution to ICI will be of the same order as the pharmaceutical business makes to this company today. Indeed, I'm critical because we should have started earlier. Unless we start now, we're not going to be there, because that's the time scale that it's going to take to make this happen. Now, I'm very bugged about *that* aspect of my job, and—I'm not being rude—I don't get the impression that the American CEOs are as much bugged about that as I am.

Are your R&D investments consistent with that long-term view?

Harvey-Jones: Yes, but not all of them. I want to make sure that we've got a good mixture. Take the pharmaceutical business, which is a highly successful business. You've got to remember that we entered the pharmaceutical business in 1937; it didn't make money until 1957. Now, that's the sort of time span that you can look at if you're doing something through your own invention and moving into a new area of technology.

There are people who, I think, would find a certain degree of incompatibility between the five-year term and your long-term emphasis.

Harvey-Jones: Oh, sure. But that's because I was an old bugger when I got the bloody job. That's why I believe you ought to have a younger guy who can serve a longer term.

So, the five-year term is particular to you?

Harvey-Jones: My predecessors were three- year men. I'm the first five-year chairman since 1960. The three-year men were dead before they started. It took a year to make up their minds what they wanted to do—it didn't take me quite as long as that. The last year they were worrying about their successors. Since the successor is not elected by the active chairman of this company but by the board he is going to lead, they didn't know who was going to take over.

May I conclude that your successor is not one of your primary concerns?

Harvey-Jones: It's my responsibility to make sure that we have a range of people from whom the successor can be chosen. But the way this company works, and I don't think it's a bad way, is that the board has a secret vote—a genuine one. Somebody who has retired or somebody that we trust goes around to each member of the board and collects his vote and the reasons for it. Then, he summarizes their views for the outgoing chairman. Until that is done, the chairman doesn't know who he is going to get and whether the new man can do the job. My job is to make sure that there are enough people on the board who can take on that responsibility. But frankly, by the time an executive is appointed to our board, he could run the company, and I wouldn't lose too much sleep. The difference among our executive directors isn't that large.

You're not primus inter pares in that situation? Your weight doesn't carry?

Harvey-Jones: In choosing my successor? No! I don't even get a vote. One of my predecessors tried to choose his successor and the guy wasn't elected. We are a funny company, that's our history. But, there's one advantage to our method—a guy who comes in knows that he got support from his colleagues. The disadvantage is that the chairman of ICI used to be described as the least unpopular member of the board. You might well cast your vote for your incoming chairman on the basis of who you don't want to work for rather who you do.

A number of years ago, I met an ICI deputy chairman, Bill Duncan, who had left to become head of another major British company. When you lose a person of that quality, how do you feel?

Harvey-Jones: I wanted to lose him—I didn't want to have a deputy chairman. So long as we had deputies, we had these short-term chairmen. The mathematics made it near impos-

sible to vote for a young man in the company. If you joined the board at 49, as I did, it took three or four years at minimum to become a deputy.

You mean that having deputy chairmen virtually commits you to choosing one of them?

Harvey-Jones: Yes, that's right. Which is why I don't want a deputy chairman. Which is why when Bill Duncan went—and he is doing a great job elsewhere—it helped rather than hindered me.

In the United States, you know, the fact that we have a chairman/chief executive and a president doesn't automatically mean that the president is going to move up. And the CEO's have a lot to do with the actual selection.

Harvey-Jones: Your system is that CEO taps him on the shoulder. And I think that's a lousy system. A very good CEO would say, "The world tomorrow is going to be very different. This guy has been a first-class aid to me and will carry on my work, but we need a change." It's a really big man who would do that.

You have mentioned your five-year term several times. A 10-year term was viewed as optimum among the CEO's I queried 15 years ago. What's your thought?

Harvey-Jones: Seven years is the optimum period. I like the guy who takes over when he's young; he should take over when he's 51, retire when he's 58 and go and do something else. This is a young man's job, not a old man's. He could do his stint, retire at the age of 58, go on and be a nonexecutive chairman somewhere else. Not here—somewhere else.

Can you conceive of any circumstance that would give you even greater commitment to the job? A heavy ownership stake in the company, for example?

Harvey-Jones: Not really. My wife is of the opinion that were I cut in half, they'd find ICI roundels running through every pore of my body—like the Brighton Rock.

Sir Trevor Holdsworth

Chairman
Guest Keen and Nettlefolds, plc
London, England

GKN, a major producer and supplier of automotive components and engineering services and Britain's sole independent steel producer, operates primarily in Europe and Asia. Total annual sales exceed £2½ billion. Sir Trevor Holdsworth joined GKN in 1963, became Managing Director in 1977, Chairman in 1980. He is 58 years old.

Harold Stieglitz: With your title of chairman, is there any question in anybody's mind but that you are chief executive?

Sir Trevor Holdsworth: Absolutely not. I'm a full-time executive chairman; and, therefore, the senior—the chief—executive.

Would the same obtain if you were nonexecutive chairman?

Holdsworth: I am a nonexecutive chairman of another company, quite outside of GKN. There I have a chief executive, who is the managing director. A nonexecutive chairman doesn't have the ultimate power. He's really the chairman *of the board,* and draws his power from the board responsibilities, not the personal responsibilities. He may have more power than anybody else to influence a decision but he has to exercise it through the board.

What are the decisions that you feel you cannot delegate—or even share?

Holdsworth: The decisions that arise from your having to lead—and where you have to make quite certain that you are leading the whole thing: Firstly, group strategy—on that above all else, I'm always pushing and shoving. Secondly, the senior appointments—choosing the executive directors and all the senior executives. Thirdly, finance—all the main financial decisions.

Do you distinguish between making a decision and taking a decision?

Holdsworth: No, I don't recognize any subtle distinction between making and taking. I suppose you could develop one: Making a decision is when you think of it, and taking a decision is when other people have a big input, and you have to decide between one thing and another.

Have you noticed any distinctive change in the character of the work or the character of the job that gives more emphasis to the leadership role as opposed to that of professional manager?

Holdsworth: The professional manager emphasis arose

during the 1950's, 1960's, and 1970's—very easy periods when you thought you could plan on certainty. Now the situation is more uncertain, much more volatile. It is also an outcome of less formality: Structures are less bureaucratic, less hierarchical, lines are much shorter. In that more informal sort of managing, the leadership emphasis comes out.

There's a statement by an English poet that I think of all the time: "True wisdom lies in the masterful administration of the unforeseen." Although that wasn't written in a business context, it encapsulates the feeling one gets these days. And that is where the leadership element comes in.

You have been chief executive for four years. Do you have any fairly firm idea of how long you would continue as CEO?

Holdsworth: Another three. Then it would be right to have a change.

Regardless of where you are—regardless of the position of the company? You instituted some major changes, wouldn't you want to see them through?

Holdsworth: You can never say you'll see them through because business always changes. There is never a right time. There is always going to be something—it's such a continuance stream. Then, too, I think you can see one major change through; the next time you're not quite able to do it properly. Also, one of your responsibilities is to prepare for the next stage—to prepare for the people who are going to take it from there.

L. J. HOLLIDAY

Chairman and Chief Executive
John Laing plc
London, England

Construction and civil engineering in Europe, U.S., and the Middle East account for Laing's $800 million annual turnover.

L.J. Holliday joined J. C. Laing in 1947, was chairman of John Laing Construction from 1980-82 when he became chairman and CEO of the company. Mr. Laing writes: "As the task I took on in 1982 has now been accomplished, I shall be relinquishing my duties in June ('85) and my successor as chairman will be Mr. J. M. K. Laing."

On Main Elements of the Job?

L.J. Holliday: Three years ago, the group was in some considerable trouble. Sir Maurice Laing asked me if I would take over the company, first as chief executive and six months later as chairman-CEO. I've now been in that position for 2½ years. I would have retired 15 months ago had not Sir Maurice asked my help. A lot of decisions had to be taken, including changing the internal board members—we have a primarily internal board. At the same time, there were some very significant changes in the type of work that was done, who was doing it, the pattern of overhead, the general things that go with changing the company from being somewhat lackluster into something that was operating in a very effective way.

If you were putting it on a grid, the style of the company, for a few years, had been 5-5. The major effort was to insure that we changed to a 9-9 style with effectively a 9-1 backup.[1]

With all that, there was only one person in the group to do it effectively, and that was me.

I have had two major objectives: The first was to get the company in a position where it could make a sensible profit; and the second was to make sure that there was suitable succession to take over the company and run it effectively. The former has been achieved.

We have also moved from having a deficit with the bank of L30 to 40 million to having something over L70 million in the bank. The second is well on the way to achievement. If that seems like a remarkable turnaround in 2½ years, bear in mind that more than half the company had already been under my control anyway, and that was successful. It was the other portion which was ineffective. Therefore, I already had a very strong base from which to operate. I had some very good trained people, and I knew where the problems were even though I didn't know their extent.

What I am doing at the moment is running the executives on what I would call a loose rein. We've introduced some young well-trained people, one or more of whom will obviously come through as the future managing director or chief

[1] Based on the Robert Blake and Jane Mouton Managerial Grid. As depicted by its creators:

5-5 is "Organization Man Management—Adequate organization performance is possible through balancing the necessity to get out work with maintaining morale of people at a satisfactory level."

9-9 is "Team Management—Work accomplishment is from committed people; interdependence through a 'common stake' in organization purpose leads to relationships of trust and respect."

9-1 is "Authority Obedience—Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree."

executive of the group. We have five men, all of whom are under 50, who now carry considerable executive responsibility. What I have to be careful about is not dominating the scene too strongly. I want those men to come through and be good — not to be "yes" men. I see absolutely no reason whatsoever to go outside for good people because we have some superb people who have been trained and have grown up the company. The only reason for looking outside is to give me more confidence in the people I have inside.

Can I ask a funny question — at this point with everything so well organized, so well laid out, so well planned, what do you do with yourself all day?

Holliday: I'm going to play golf this afternoon! The most important things I have to do now is, first, make sure that things are happening in accordance with our overall plan; and, second, to get out and see the people within as well as outside of the group to make sure we are getting the right image, marketing our skills, and developing people within the group. I have the reports, the detailed breakdowns on each activity and the financial results, but there are things that can't go on paper. So I make sure to visit the key areas of the group at least once a year to get a feeling from their performance, to look at the people concerned. Give me a half hour in an activity and I can feel whether it is right. I've just returned from five days up the East Coast of England and Scotland, and back down the West Coast. The outcome is that one of the activity managers is being replaced.

Why did it take a visit from you to discern that need? Why didn't the executive in charge make that change without you having to be on the scene?

Holliday: I think that's one of the useful things that I can do. You like to think that everybody else is perfect, that they all do their jobs. But it doesn't always happen that way. Sometimes a visit from the boss does put people on their mettle a little bit.

What do you think the vice chairman in this situation learned from that visit?

Holliday: I think he learned he ought to have been in there a week before hand.

On Leadership

Holliday: It means getting a few steps ahead—certainly not less than a half step ahead—of where your colleagues and others are in their thinking and in their operating processes. It is giving the people within the group the confidence that somebody is leading the group, that it isn't just drifting. They have to see that there's a skipper around. Pep talks have very limited value. If you want a long-term relationship, long-term respect, you have to say what you mean. It is important to lead people rather than to be pushing them. To do so, they have to know where they are going to go—so you set the parameters. I believe you have to believe people, to recognize that they are intelligent, to make them feel that they are a part of the team, not just a series of numbers.

What's the different ingredient that you brought to the situation—to convert it from a 5-5 to a 9-9. Was it vision, was it communication, was it merely the process, was it intelligence.

Holliday: You can keep on going with all those words and fancies. The thing that has changed it has been me—the composition and whatever is in me is the thing that created the change.

OLIVIER LECERF[1]

Chairman and Chief Executive
Lafarge Coppee
Paris, France

Olivier Lecerf joined Ciments Lafarge, one of the world's leading producers of cement and cement products in 1956; became its general manager in 1973 and CEO in 1974. Merger with Atlas Coppee (Belgium) in 1980 moved the company into engineering and biotechnology. Half of Lafarge-Coppee's annual sales (approximately FF 18 billion) are overseas, with heaviest commitments in South and North America. Mr. Lecerf is 56 years old.

Harold Stieglitz: After nine years as the chairman and chief executive, you took a one-year leave of absence, then you came back as chairman-CEO. Why the leave of absence—what purpose did it serve?

Olivier Lecerf: That goes back to the 1973 International Industrial Conference and a roundtable meeting I attended on the chief executive's job. I knew then that I was going to be appointed chief executive in June, 1974, and chose to go to one of the sessions at which we discussed the CEO's job. I was appointed chairman and chief executive officer in 1974. At that time, I had been with the LaFarge for sixteen years—twelve of them overseas. After listening to all our colleagues at IIC, I came back with two ideas: (l) It is better to become chief executive before the age of 50; and (2) A chief executive should never stay more than 15 years. I know your own study put the consensus at ten years, but our group said fifteen.[2] So, when I took my job in 1974, I said: "I'm lucky. I'm going to be 45 in two months, 15 years will bring me to 1989.

I announced in 1974 that if the board maintained its confidence in me, and if Lafarge is still in existence, I will retire in 1989 at the age of 60. Because it was an important decision, I wrote it in documents and announced it several times at different meetings. I wanted to make sure that people would not say that maybe I would change my mind as the day came closer and closer.

By 1982, the job I had been doing for nine years was very demanding and tiring. I told myself that it would be very nice to have the opportunity to work for the group, but in a different capacity, before attacking the last five years. Before making my decision, I asked one of my two vice-chairmen, Jean Bailly, when he would like to retire. He said, at the end of 1983. So I asked him, if the board agreed, if he would replace me during the year 1983. Of course, it was very nice for him to end his career as a chairman and CEO. So we agreed between ourselves that he would become chairman and CEO while I went off for one year. I was appointed vice chairman in order to keep some compensation. My compensation was not nearly the same, but in France you cannot get compensation if you are not an employee.

So what did you do during the year 1983?

Lecerf: I spent two months in the United States. I visited the ten plants of General Portland, the company we acquired in 1981, and I met with the management. I visited the towns; I listened to the people; and, usually, I had dinner with the customers or with the local people. In Atlanta, I visited with Mayor Young and the Governor of Georgia. I spent a week in New York to know the financial community better. That was an important time for us because we had incorporated the Lafarge Corporation; which was then introduced on the New York Stock Exchange, and we had a stock issue in November. I spent a week in Washington. I should say "we," because in all my trips there were always two or three Lafarge people with me. In Washington, we met with Mr. Feldstein, Mr. Regan, and Mr. Brock. We went to the Senate; spent one day at the World Bank and the International Money Fund. We also spent an afternoon with Mr. Kirkland, head of the AFL-CIO. And we spent some time in the office of Paul Volker.

Then came one month in Japan. That part of the trip was prepared very carefully, one year in advance, by the manager of our office in Tokyo, who had been living in Japan for 20 years. The first week was to be cultural: We spent a weekend in a Buddhist monastery—and we tried to learn about martial arts and about Shinto, Confucianism and Buddhism. Then we added three weeks of business. One week was for biotechnology, where we visited our Japanese partner; then some cement companies; high-tech companies, plus a major science center.

I also spent three weeks in Southeast Asia—Malaysia, Indonesia, Thailand, Singapore. Then two weeks in the Middle East—Egypt and Saudi Arabia. There were several trips in Europe—short trips in England, in Germany, in Holland, in Switzerland, in Denmark, and in Sweden. The rest of the

[1] Published in *Across The Board,* May, 1985.

[2] Harold Stieglitz, *The Chief Executive—and His Job.* The Conference Board, SPP 214, 1969.

time I visited the companies of our group and our people in France, or I met with other leaders—union leaders and people in the universities.

And the real purpose of all this cultural immersion?

Lecerf: The four goals of this year were: (1) to have a better knowledge of the international environment; (2) to know better the activities of the group, the men and women working in the group and especially our newer ventures in engineering and biotechnology; (3) to contribute to the strategy guidelines for the future; and (4) to plan a reorganization—now in place—that I thought would best correspond to the challenge of the years to come.

In December of 1983, the board reappointed me CEO and Jean Bailly was appointed Honorary Chairman.

That was quite an experience. Because of the tremendous change internally in Lafarge businesses and externally in the environment—plus the fact that you were a little tired, you took a year off to reorient, rethink, reposition yourself before going on with the last five years.

Lecerf: That's right. I thought that I would like to live differently for one year, before contributing to the strategy guidelines for the coming years and also to think about my own succession. I have two or three potential successors. Now that we have 40 percent of our assets in North America, the next move will be to appoint an executive vice president located in North America the beginning of 1987. I think it is very important for my successor, *if* he's not an American—if he is a Frenchman—to spend two years in North America—to know the Canadian and the U.S. environment, to know our directors, to know the management of our two companies, General Portland and Canada Cement. Then he would come back to France in 1989; we would have a few months together; then I would go in August, 1989.

Now, we say in France: "L'homme propose, Dieu dispose," and you know what that means.

Man proposes—God disposes, yes, that is the grand scheme. That year you took off and the way you did it raises several large questions. First, concerning Mr. Bailly, with whom it was understood that you would come back and would again be chief executive. What position did that put Mr. Bailly in, if everybody knew he was just there on a temporary basis?

Lecerf: It was not known outside that Jean Bailly was appointed only for one year. And he was not appointed for only one year. When he was appointed, he told the board that his intentions was to resign at the end of 1983—but it was not known outside.

Was it known inside the company?

Lecerf: Yes.

So how effective can a person be as chief executive if everybody knows: "One year and we don't have to listen to him anymore?"

Lecerf: We had been working together, my two vice chairmen, Jean Bailly and Jean Francois, and myself, for 12 years. We three had managed the group with the idea that any of the two could replace me. As far back as 1974, I had already written a letter to the board, kept in the safe, to be opened only if I were killed or died suddenly. It named my choice as successor, but for purposes of morale I told neither vice chairmen of my choice. Now I can say it was Jean Francois. Age played a large part: Jean Francois is only one year older than I am, and he has announced his intention to retire in 1988. Jean Bailly is eight years older.

The one-year period for Jean Bailly was really to cap his career. But he was much more than a caretaker. He had a lot of important business decisions to make and he made them. During the year I was away, I came back at least once a month for a meeting. But there were a few decisions—about compensation, about the dividend, about some divestments or some new associations—where I made a point that he would be the one to decide.

Did any really major decisions occur in that one year?

Lecerf: Yes, there was a very major decision. When we acquired Coppee, we went into two new fields of activity: biotechnology and engineering. And because we lost some money in engineering in a contract in Venezuela, and also because the environment for engineering was very bad—both in Europe and in the States—we sold 70 percent of our engineering company to a Canadian firm, and now we are partners, but they have 70 percent and we have 30 percent—so they manage the company. It was a major decision because it involved 2,000 people, and it was one of the seven fields of activity of the group.

To what extent did you, even though you were not chief executive, have the major say in that decision?

Lecerf: Jean Bailly had the major say, but he conferred with me.

Was the decision that he came up with appreciatively different from what you had counseled and advised?

Lecerf: I think he took the right decision.

Does that mean that the decision he made differs somewhat from the decision you would have made?

Lecerf: No, I did not say that. When you are traveling, when you don't see the management and the executives, I honestly don't think you can just come back and say what should be the decision.

I think you understand what I'm getting at: When a person has been a chief executive for eight or nine years—then takes a one-year sabbatical with the understanding that he's going to come back as chief executive—I obviously have to question the extent to which any major decision is going to occur either in his absence or without his concurrence.

Lecerf: It's true. You are absolutely right. Jean Bailly made sure that he would not make a major decision without consulting with me.

Can I go one step further? He made sure that he would not make a major decision that would handicap you?

Lecerf: That's right. And he would make no decision about the organization because he and Jean Francois both knew that I was preparing an organization plan that I intended to implement. In fact, I consulted with them about it during that year.

Jean Bailly played his part perfectly—and he has done an outstanding job. He chaired the board; he chaired the international advisory board; he was the one called upon to deal with the French government; and he also did all the outside representation work. I had nothing to do in that field.

You obviously felt pretty secure that no big surprises would occur. Still, wasn't it a risky situation?

Lecerf: I am often asked if I would advise someone to do the same thing. My answer is "no." I would not dare to advise someone to do something similar. But mine was a very special situation: Three men working together for twelve years, and we had been in substantial agreement for five years. I had 100 percent confidence in the loyalty of Jean Bailly, and he was confident that what I was doing was right. Some people thought I was fired when I left, because our results were not good in 1982. Some people thought I was sick. Some people thought I would not come back. But inside the organization—among the board, Jean Bailly, Jean Francois, and myself—with the exception of unforeseen health reasons, there was never the slightest doubt.

As a consequence of that year, were there any significant changes in your thinking about strategy, about succession, about investment or competition?

Lecerf: When I came back six months ago, a lot of people asked me: "Are you a different man—are you taking major decisions that are different because you took your year?" I think I should give an honest answer. It is very difficult to know if I am a different person. I participated in developing our strategy guidelines last Summer. We *might* have a significant change because of what I have learned. I was confirmed in the idea that although we are in the building material field, our new opportunities are in biotechnology. It is a bet on the future.

I am also convinced that the Pacific arena will be the part of the world where growth will take place in the 1980's and the 1990's. Before my trip, I thought of the West Coast of the United States because we have operations in California. For me, it is now the Eastern side of the Pacific Rim. The concept is one I learned at the Nomura Research Institute when I was in Tokyo. They take Canada, the United States, Australia, New Zealand, Japan and what they call Northeast Asia—South Korea, Hong Kong, and Taiwan—and then the five countries of Thailand, Philippines, Singapore, Malaysia and Indonesia and it becomes an area of strategic importance and significant international trade. Examine the trade of the United States in 1983 and you will see what I mean. On the basis of data from the International Monetary Fund, I think we have to be very careful about investing in some of the developing countries, other than those in the Pacific Rim.

I came back with the world population figures on the regions of greatest growth, and I am studying the implications for the cement business and the variety of businesses that make up biotechnology.

Do you spend most of your time thinking about the changing character of your business, or most of the time thinking about the management of the business?

Lecerf: My background is in political science and law; I got into business management in that period in Geneva. I suppose I spend more time—no, it's about half and half. I was very intrigued with the Japanese practice of business. I tried to learn a lot of things they do, the key reasons for their success. They don't use an organization chart, just some indication of their functions. Of course, I learned about their consensus management. I learned, in Japan, that the important thing is not the decision: It's the way the decision is taken—because the implementation of the decision is much more important than the decision itself.

I'm very much interested in religion. One of the great shortcomings of my training is that I knew nothing about Islam, about Confucius, about Buddhism. I'm also interested in values. I believe very much that the United States is rediscovering in the 1980's the values on which you built your country in the 19th century and in the first half of the 20th century. These values were questioned in the 1960's and 1970's. We have so many things that came to Europe from the United States that I think the same trend will occur here. I think we are going to rediscover in Europe some of the values that will rebuild our countries in the first half of the next century—values like free enterprise, the market economy, individual initiative, risk taking, the possibility to make money, but also more initiative from the people and less from the government. And, at the same time, values like the family and religion are coming back very strongly. I'm impressed to see these things taking place in Western Europe.

Is the reason you see it taking place in both the United States and, increasingly, in Western Europe essentially because of the character of the competitive business world—or is it a reemergence of values for the sake of values?

Lecerf: I would not say "values for the sake of values." I think Marxism is a complete failure. I think Socialism is a complete failure. I think that free enterprise and the market economy grow strong because of the competitive environment and because it was shown all over the world that they are the conditions for success. One of the most important values in Europe and in North America is the respect for the individual, and we have learned this from our religion—Jewish, Protestant or Catholic.

It's different in Japan. It is still run by people who have known it since 1945. Their challenge is the survival of Japan; the way to achieve the challenge is work. In their religions, God is not—can we say a person—God is nature. Your problem, as an individual person, is to live in harmony with nature and with the other members of the group. I don't think you can expect the same thing from countries that have been very much influenced by monotheistic religions. But, as far as management is concerned, their success shows that we have a lot to learn from Japan.

Let me try just to pin you down a bit more. You've been chief executive for nine years, you had a one-year sabbati-

cal, you have been back for six months. Have there been some significant changes in emphasis—in the way you approach your job—over the 10-year period?

Lecerf: This organization is different. I look at my job in a different way. I was very much involved in major developments like the acquisition of General Portland and Coppee. I strongly feel now that all the executive vice presidents have to be the ones to make the big acquisitions or divestments. In the next five years, I will be less involved in such major negotiations.

I think my key job is one idea that I share with the Japanese management: to keep harmony in the group, to keep loyalty. Then strategy guidelines and key appointments.

You put your top priority on harmony within the group. The second priority is strategic guidelines?

Lecerf: You are too Cartesian. I give you three things that are important for me, and immediately you ask me to rank them one, two, and three. Why won't you accept the concept that there are several things that are important in my job without having to rank them?

Because you are a chief executive. My perception of a chief executive is that he always creates his own priorities. So it's your priorities that I'm looking for.

Lecerf: My number one priority is the future of the company; to safeguard the equities of the shareholders and of the men and women who work for the company. So, that's the number-one priority; to keep this company profitable and to make sure that the future is best prepared. But in order to achieve that I like to allocate my time to those three things.

Previously, you identified yourself as a leader rather than a professional manager. Why?

Lecerf: Because, if I am a leader, the professional managers who work for us will be more efficient because I would get more of their loyalty.

How does your leadership manifest itself?

Lecerf: I don't know. It is a question of style of management. But I think there may be one thing. I have personal values; one of my values is tolerance. I think a lot of people can have different values from mine. I get the loyalty of the Lafarge Coppee management and its people because they believe I have a set of values and, rightly or wrong, that I try to live according to those values. So I'm sure that they know—as far as succession is concerned, or how they would be affected if we divest a company—I think the people know we are sincere.

JONKHEER A. A. LOUDON

President
AKZO NV
Arnhem, Netherlands

Jonkheer Loudon, who is 46, was appointed CEO of AKZO in 1982.

AKZO's worldwide operations are concentrated in the EEC countries of Europe and, through AKZONA, in North America with further bases in Japan and Latin America. Major lines of business are textiles and fibers and base and specialty chemicals; additionally: pharmaceuticals, coatings and various consumer products. Annual sales ('84) were approximately FL 16.5 billion.

Harold Stieglitz: When you first became president two years ago, were there any big or little changes made that became immediately apparent to the whole organization?

Jonkheer Loudon: Yes, and I recollect it for a very specific reason. The day I became president, we reduced the board of management from eleven people to four. That had an enormous impact.

I had been designated president-elect fully a year before. We used that period to restructure our internal management board; to set up a smaller board that would have clear authority over the divisions.

Previously, our eleven-man management board had included six division presidents; that gave them a majority. The restructuring gave a clear signal that the four-man board was the sole executive body. We underlined our new authority by announcing the acquisition of the minority shares of our U.S. subsidiary.

We have six completely different product groups, which are impossible to manage centrally. So we told the division heads: "You remain responsible for your particular operations. But while, as a board member, you used to share overall corporate responsibilities, you are now one step lower in the hierarchy."

We on the new board expect to manage the whole group

in a more hands-on style. That does not mean that we are going to be involved in production or marketing. But we told our division heads that they can expect more direction from us, and that we will be more interested in what goes on in the divisions. It won't be a matter of their reporting—and our being satisfied if the results are good. If their organizations have something not quite right, we'll be looking at it far more closely.

That was a tremendous change in organization.

Loudon: I sometimes think that—especially in the Dutch culture with its emphasis on collective management—the new president needs something to make clear that there is new leadership. The impact of this change may not show immediately, but it will show. I was fortunate that the change coincided with my becoming President.

Did you initiate the change—plan it—in anticipation of becoming President.

Loudon: No. I was just one of a three-man committee that planned the change, with the help of an outside consultant. But there are times you see a change coming—it is needed. It is merely a matter of timing and a catalyst. My appointment as president-designate probably served both purposes. And it was easier to make the change before I became president officially than if we had waited. Of course, at the same time as I became president and the new four-man management board was in place, some further changes among the managers of the major operating groups were made.

You say "we" made some changes. To what extent are major decisions made on a "we" basis rather than on an "I" basis?

Loudon: Virtually all are "we." That is true of many companies in Holland, but at AKZO we certainly have a collective management with a collective responsibility. The only area of exception might be external relations. The president is very much the face of the company to the external world in Holland. When the government wants to talk to us, they want to talk to me. When a journalist wants a story on AKZO, he comes to me. And I am the one who explains our strategy and tells what we do. That is the necessary personal touch.

Under such a collective management, do you, as president, enunciate the agreed-upon strategy, or do you initiate it, or do you formulate it? And on decisions other than external relations, are there any over which you assert your presidential authority—that you make without checking with your colleagues on the board?

Loudon: The management board formulates strategy. That is based on a process that starts at the bottom with the divisions presenting their plans to the whole board. Together with the divisions' managements, we arrive at certain conclusions. Then we have to consolidate the plans, set priorities, look at financial consequences—then more discussion with the board. Then plans have to be formulated with concrete actions. The strategic-planning department plays a large part in this process. It reports to me. No final document goes to my colleagues until I have seen it and screened it.

Yes, I exercise a certain initiative—but it is a continuous process. The most important thing is discussion and constant interaction among the four of us in the management group. In operating decisions, it depends upon the situation. For example, I am the board member directly responsible for our North American operations. But I'd want to talk with my colleagues on anything of corporate impact.

Could you make a deal over lunch one day to buy a company that would fit beautifully into your matrix of businesses—if it is a good deal and an unforeseen opportunity?

Loudon: I could not do that. I could say I think it's interesting, it's something we should do, but I have to discuss it. There is a very simple reason: We have delegated full authority to our division heads. You can't suddenly tell a division head: "Look, I made this acquisition for you; try to make the best of it."

What if it is a totally different business—a wonderful investment with possible great short-term rewards either in profits or resale value?

Loudon: If it were something that would make us rich overnight, with very little risk, and if it were a matter of yes or no right on the spot, and I was absolutely sure that it was the right thing to do, I'd probably make the deal. But I would be going further than I am theoretically allowed to go. I run the risk that my colleagues would say I should never have done that—and I might have a problem. On the other hand, if the deal were wonderful, they might say, "Thank the Lord that you said 'yes.'"

In a sense then, when it comes to decisions, a major constraint on you is the risk of upsetting the team?

Loudon: Yes. I want to make one point clearly. There is one very great advantage to this system: Because we have collective responsibility, I am much less prone to manage for short-term effects. There is less pressure on the board of management to go for an immediate increase in annual earnings. Under our collective responsibility, we can make an investment or introduce a new product that we recognize will place a drag on our earnings for a period of time. But *we* will do it, because we think it should be done. All by myself, even though I felt it right, I would have to do a lot of explaining—or sometimes I might say, "This may bear fruit in five years or so, but I may not be here five years from now, so I'll pass it up and go for immediate results."

And the major disadvantages?

Loudon: If the board is not a team, it is difficult to accomplish anything.

It strikes me that much slower reactions would be a disadvantage.

Loudon: I would have agreed when we had eleven on the board. Now, with the four, I don't agree.

Second, consensus or collective decision making tends to preclude major breakthroughs, forces decisions to the least common denominator?

Loudon: If we were a small manufacturing company, that

might be so. But you cannot run this large a group, in six different businesses, as an entrepreneur. No one person has the time or the experience. Look, it is our collective style. If you are a small company, then I think it is a lousy system. But it is a good system for AKZO.

Just a bit more on how collective your collective management is: Could the members of the management board overrule you; could they take an issue to the supervisory board?

Loudon: We are all equal, but the president is a bit less equal than the others. We always try to avoid a situation where one person has to be overruled, although sometimes it must be done. But, it is a little bit more difficult for the management board members to overrule me. They would really have to consider the issue detrimental to the company.

On the other hand, I also know when I could go too far. This function is difficult to describe exactly. But understand that the four of us all started together as the new board.

It has never happened, but—theoretically—they could go to the supervisory board. At that point, there are a number of ways the supervisory board could deal with it. Everything is possible.

What do you do to promote the perception throughout the organization that you are the leader?

Loudon: I think it is a question of whether the organization sees you as just one of the four—or the leader of the four. I make it clear to my colleagues that I will do everything possible to function as a team, but that I am also the leader of the team. I am the first one to communicate to the whole organization—to tell them what our strategy is—rather than one of my colleagues.

It is also, in the first place, my task to stress that AKZO is more than just the sum of six divisions; that group interest may supersede divisional interest or that synergy within the group is exploited. The divisions—particularly our American subsidiary tended to resist corporate intrusion. In itself, this is understandable taking into account that AKZO period when it fought for its life. The other parts of the business were rightfully scared to death that they would suffer irreparable damage because of the impact on the group of our fiber losses in Europe. But now, it is being done. It is part of the task of the president—and nobody can do it better than the president.

To the outside world, the president should be the one who puts his mark—I'm not sure that is the right word—upon the company. I don't mean that in the American sense. In the United States, the chief executive is the one who gets the publicity, newspaper stories, and so on. On the other side of the coin, he gets the blame if things don't go well, for the right or wrong reasons.

Here, the fact that the company does or does not perform well isn't viewed as a reflection solely on me. It is the organization that counts. I would never say, "I did this"—AKZO did it.

So many in my country do it the way I described that it must mean it is the best way for us here to do things. It is a different world. We aren't as free as management is in the United States. Even our Prime Minister is not the Prime Minister in the British way. He is President of the Council of Ministers. He is in a similar position to mine. We don't want to have a strong Prime Minister; we would be scared to death of a strong Prime Minister.

You are young—only 48—how long will you be CEO?

Loudon: That's a question I always refuse to answer. It could only be detrimental. If you leave before the time you mention, people will draw conclusions. If you stay longer, they will also draw conclusions.

Let me rephrase it. You have compulsory retirement at age 62—14 years from now. Should you choose to leave before then, how will you know it is time to leave.

Loudon: When I start to dislike my job—or don't find it interesting. I hope I will be able to realize that it has become routine, or that I am doing it in a routine way. But, sometimes, somebody else has to tell you that—and then you don't believe it. But I think I will be able to come to that conclusion myself. Ultimately, of course, you may get the impression—or others tell you—that they think you are not doing a good job anymore.

Considering what you said about U.S. CEO's, could you head a major U.S. company?

Loudon: Yes—but I'm sure I would still want to operate in a more collective manner.

JAMES W. McKEE, JR.
Chairman
CPC International, Inc.
Englewood Cliffs, New Jersey, U.S.A.

CPC is a multinational processor and producer of food products in North America, Europe, Latin America and Asia. More than half of its $4.4 billion annual sales are foreign. James W. McKee, now 62 years old, was appointed CEO in 1972, dropped the CEO title in September, 1984 just a few months after this interview.

On Strategic Planning

James W. McKee: I try to avoid using that term—I find it has become a real buzz word. Yes, we use it, but on a very limited basis. The planning function, whether or not its strategic, amounts to looking at the longer-term outlook for the business. It is not just projections, it is trying to look at what you will be doing with the different businesses and where you think they will be going over the longer period of time. But we are trying to reduce the amount of planning that is just related to number crunching.

On Earning One's Pay

What are the characteristics of the decisions where you go home and say, "today I've earned my pay?"

McKee: I really can't come up with anything specific on that one. It comes most likely when I have been able to convince a group of executives to a direction or a program—or to get a change in what we have been doing, or the way we have been doing it. When you gain that type of recognition, you really feel that you've accomplished more.

In an organization such as ours, you're not going to be around to see the results of the decisions and the work that you're doing. Yes, you can make decisions as far as individuals are concerned, or when you're in trouble and are trouble shooting. But most of the work is not concerned with everyday operations. As chief executive or part of the executive group in larger companies, you're much more concerned with what is going to be happening next year and the year after. Once you have arrived at programs for the next year, you have to leave it with your operating managers to work on the current programs. It's the lack of immediacy of results to whatever decisions you are working on at any given time that's part of the frustration.

In our company, the best job is considered to be managing one of our affiliate operations someplace where you're concerned with pricing, with manufacturing, with sales. There, if you take a decision, you can see the results at the bottom of the page by the end of the month.

On Decision Making

McKee: I try to develop a consensus among the management group with which I can agree. But there are times when I'll go with my own gut feeling. And sometimes, even though I may disagree with the consensus, I can accept it, depending on the individuals who are making these recommendations.

Sure there are some sleepless nights when you work that way. That's part of the business of having staff, and having people in charge of these operations. You're depending upon their expertise and their evaluation of the work that they are doing, and the commitment you've given them. If I just arbitrarily say, continually, that I don't agree with anything that they come up with, then I might as well not have them here; I don't need that expense.

Generally, you're looking for the commitment of the management group to work on whatever the decisions are. If you don't have that commitment, then it is that much more difficult to accomplish the goal. Yes, there are circumstances under which I'll sacrifice the elegance of a decision for commitment.

On Delegation, and Losing Confidence in a Subordinate

McKee: It happens—but you have to ask yourself, how did he get there in the first place? Most individuals have shown some type of potential for the jobs they are put into. Sometimes you make mistakes. Some of this lack of confidence in their abilities or capabilities comes about for reasons that may or may not be valid. You've got them in the wrong position.

The amount of time and the knowledge that your managers obtain over the years is a very precious thing; you search for ways to utilize it, to have them in the right positions. If you have lost confidence in their abilities in a particular job, is there some way to find other ways to do it? What you try to do with those in whom you have little confidence is, first, find ways to increase your confidence in them before you go about trying to eliminate them.

On Leadership and Buzzwords

McKee: Leadership is part of the function of the professional manager, of the chief executive officer. Without some leadership, he's not going to be able to perform his function. You can give different types of leadership—not necessarily charismatic. You can be the driver, the one who is working twenty-four hours a day and expects everybody to do the same. Or you can be there to give counsel, give leadership in the sense of direction. You can be the one who is always coming up with new ideas—the entrepreneur type. It seems to me, there has to be a measure of leadership in any chief executive job. Which type you have would depend on the new buzzword, the "culture" of the organization, the individual, the timing, and so forth.

On Determining When to Leave as CEO

McKee: When I think that I know all of the answers to everything and it is much easier to say, "no." It comes back to the question: "When do you accept something that you disagree with?" When you have—or give—the impression that you know so much about the business that nobody else can be right, it is time for somebody else to take over.

Sir David Orr

Chairman
Inchcape plc
London, England

Sir David Orr, now 62, had been chairman of Unilever plc from 1974-1982. Upon retiring from Unilever, he accepted the chairman's position at Inchcape in 1983.

Unilever plc and Unilever NV share a common board of directors and operate as one company. It has long been identified as the epitome of the multinational company operating worldwide in foods, soaps and related consumer products.

Inchcape, with annual sales of approximately $1.8 billion operates as a world trading and distribution company in such varied products and services as motor cars, timber, tea, and insurance. It's major regional spheres are in Southeast Asia and the Middle East.

Harold Stieglitz: What's the difference between your job now at Inchcape and what you did at Unilever?

Sir David Orr: I'm chairman and chief executive here at Inchcape. At Unilever, I was chairman, but I was chairman of the British half of the company and my colleague, Frans Van den Hoven, was chairman of the Dutch half, headquartered in Rotterdam. And we had a third man as part of the special committee that was the three-man executive. It was not quite what you in the States call the "office of the president." In fact, at Unilever it was a joint chief executive function. Here, at Inchcape, I'm chairman and sole chief executive.

When Lord Cole was chairman of Unilever, I asked him "who's boss?" His response was: "If you mean who goes to jail, I do."

Orr: That's true. But it was such a collective responsibility that if one had gone to jail, I think the other two would have volunteered to keep him company, and would still have gone on taking the decisions in jail.

Getting back to Inchcape, I came in, essentially, to develop a new management team. But I didn't realize what a drastic transition would be required. I have now found a group managing director from outside who, I think, can shortly take over as chief executive. I'll then, in due course, be able to fade slowly from the picture. I may continue as chairman for a while, but soon after that I think we will again probably have an executive chairman here.

Would you spell out a bit more the difference between an executive chairman and a chairman?

Orr: In the United Kingdom, while we have not been accustomed to the idea of the chief executive officer, we are becoming more and more conscious of its importance. We have a lot of different structures in companies now, but the position of the chief executive officer is becoming better identified. Sometimes he is the chairman and sometimes he is the managing director—what you would call the president. More common now in the United Kingdom is the executive chairman, who is also the chief executive officer; the managing director becomes what you would call the chief operating officer. But there are some companies where the chairman is what we would call the non-executive, an elder statesman who looks after the strategy and has general oversight to see

that the board is performing as it ought to perform, but whose managing director is the chief executive officer.

But even in situations where you have a non-executive chairman, there is the question of "who is boss." When I asked that recently, the answer was: "If you mean who has ultimate accountability, it's the chairman, even if he is non-executive."

Orr: That is true. If something goes wrong, it can be said that the chairman should have fired the executive. After all, it is the chairman who is finally responsible to the shareholders. In theory, that is true. The chairman must stand up in front of the shareholders—that is his one occasion of the year to account for his stewardship. Although he may only have appeared in the office one day per week or even less, he is supposed to have taken responsibility for the performance of the board. Even though the managing director in that case is the chief executive officer who has approved the capital expenditures and allocated people to this role or that role, nevertheless, the chairman has been ultimately accountable.

And that is probably a major factor in the swing we see to chairman-CEO, even in the United Kingdom. The whole position of accountability—the demands of the shareholders, particularly institutions, to know what's going on in the company—has made it desirable in many cases for the man who is the major decision taker also to be the man who steps up and takes the accountability. But this is very much a matter of personal style. There are companies accustomed to a non-executive chairman that will go with that principle, and I don't see any need or desire for them to change.

In the past, it has very difficult in many companies to know who's been responsible for what: the chairman or the managing director. In those cases, more clarity has been required.

What you are seeing is not so much a shift of responsibility from the managing director to the chairman, but a great deal more clarity about the roles of those two top men. There are some companies, incidentally, where there is only one top man. You have to call him chairman, because he is chairman of the board meeting and chairman of the annual shareholders' meeting.

The only thing I've been able to figure out is that if the company is in a real stressful situation, it becomes necessary for the chairman to move in as chief executive.

Orr: It depends on what you mean by great stress. If the business has consistently been doing badly, the chairman, whoever he is, has to step in and either change the managing director or change his policies. However, there are situations where the company is under threat, a predator comes along who wants to buy the company. In a company where the managing director is the chief executive, it would be he and his colleagues who put together the defense package, who have merchant banks sitting with them day and night fighting the defense bid, putting out statements, and so on. And, although the chairman certainly must be involved in all that is going on, he would not be close enough to the scene to really put up the nitty-gritty defense that is necessary.

To what extent, is the decision making here by consensus or collegial?

Orr: My own style tends toward consensus but my predecessor ran the company successfully on autocratic lines. Lord Inchcape started the company, and he and his family did for some time own the whole company. Understandably, he knew more about it than anybody else; and, undoubtedly, he took the final decisions. I hope I still take the final decisions, but I listen to the people probably more than he did because he, perhaps, didn't have to. I have to. So although it is collegial in that we have an executive committee, the insiders sit together weekly and we discuss and take the major decisions.

If a proposal comes inward with which I disagreed violently, it would not go through. Some decisions are on the margin: My own instincts may have said "no"—or "yes"—but a strong emotional case was put to me so I've said "ok, but let's monitor it very carefully." I take a good deal of guidance from the executive committee, but in the end I take the decision I believe to be right.

Which decisions do you feel are yours alone—where you will listen but not be swayed?

Orr: Personnel no doubt about it. I have to get a board that will work the way I think a board should work. So among the non-executive directors, I must have made about three changes and another three among the executive directors in the year and a half I've been here Finding the chap to take over as managing director and next chairman-CEO was a critical decision.

Generally speaking, what are the differences between the United States and Europe in terms of the chief executive and his function?

Orr: They are becoming narrower all the time. In the past, we didn't have such a clear definition of sole responsibility here. It was the team, stick together lads, and that sort of thing. Financial analysts and our newspaper commentators tended not to be terribly critical. Therefore, there wasn't the same focus on the chief executives as there has been in the United States. But with the pressures on business, with the shareholders much more involved, people want to put the finger on those who are responsible. We are now getting the same atmosphere as businesses in America.

Perhaps we have a little more representational role in this country—somebody who is a chief executive of a major company would be expected to do a stint on one of the committees of the CBI (Confederation of British Industry), or to do something for the government in some committee or other, or certainly to do something in the charitable field, and will be expected to be seen by the financial institutions fairly frequent. Certainly here there will be some checks and balances on the chief executive. Maybe its more characteristic of the people than of the job, but here he will tend to be a little more, as you say, collegial or consultative than he would be in the States.

As for the UK's boards being more or less of a constraint on the chief executive, there are some companies in this coun-

try where the board could be criticized for the reverse, for being very much a rubber stamp or an assenter to the chief executive. I would say that in the past the board has been more of a constraint on the chief executive in the States than it is here. Here a strong chief executive will normally be able to carry the board with him. Although a good board will challenge him, will want to know what he's doing, will criticize, clearly a very strong chief executive here calls the shots.

I have sometimes subscribed to the theory, that the U.S. CEO's perspective is shorter term than the Europeans. There is a tremendous sense of competition in the United States—tremendous pressure for performance and great visibility. And people in the States have had to show results quickly, or else their board or shareholders will be impatient. Shareholders and boards in this country, possibly wrongly, have been a little bit more patient, it may just be apathy, rather than patience.

I've always thought that, perhaps, U.S. chief executives did look for results too quickly—sometimes at the expense of long-term strategy. I think they have been mesmerized by the share price, particularly because large parts of their remuneration have been in the form of stock options. While that has not been the case here, that is changing. Now stock options are becoming more common; there is more pressure on individuals to perform; the press people are sharper than they were; the shareholders, particulary institutions, are more critical than they were—and the pressure is on chief executives to produce results more quickly. That may then have the effect of people here taking the shorter term view—that would be bad. But in most British companies, I think—and it's not a virtue, in some ways it has been a fault—people have, perhaps, been looking a little further ahead.

I think, possibly, that British chief executives have a little more concern about succession. You won't have too much difficulty going to a British company and asking what are your succession plans? Who have you got? Who is going to come along? When do you think he will take over, and who will take over from him? They will be able to name specific individuals. The Americans are rather more prone to say: "Well, I've got some great guys here. Let's wait and the proper person will become self-evident." That is why you have sometimes had these succession battles, or the chief executive falls under a bus and then you sometimes have more of a struggle in the States than you would have here.

As for personalities and motivation, we are all selfish; we are all egotistical; and we all want to be seen to have done a good job and left our mark on the company. So I don't think there is much difference there—or that these things are particularly relevant, but these differences are secondary.

It is the forces of competition—and don't let us underestimate the influence of the shareholders. Shareholders are looking at your performance very, very closely. If you don't perform, they will either vote with their feet, sell your shares and the share price would go down with all the difficulties that brings with it, or else they will rally together as they can now and force changes on you, including your own job. That's a change and a good change. They and the press and public scrutiny are forcing our CEO's to behave more like yours. In the past six years, institutions here have realized their responsibilities a great deal more than they did before.

EDMUND T. PRATT, JR.

Chairman
Pfizer, Inc.
New York, New York, U.S.A.

Pfizer, with worldwide operations and identified primarily with pharmaceuticals, also operates in health care, agricultural, and specialty chemicals, and mineral products. Annual sales, ('84) were approximately $4 billion. Edmund T. Pratt, Jr. came to Pfizer from IBM; was appointed CEO in 1972 when Pfizer's sales were at the $1 billion level. He is 58.

Harold Stieglitz: You've been CEO for 12 years, and you are now 57 years old. That means you could be CEO for 20 years—a relatively long time.

Pratt: My predecessor decided to retire at 60, instead of 65. So, I became a CEO sooner than I expected to. At that time, I didn't think I would stay 20 years, because it seemed like a long time then. Now that twelve are gone and eight are left, it doesn't seem like a long time at all. I'm prepared to stay for the rest of the time, but I've told the board that any time they think it has been long enough is all right with me. As it looks now, I probably will stay close to the twenty years. It has advantages and disadvantages.

What effect, if any, does that long a stay have on the ambitious younger fellows below you?

Pratt: That is generally considered to be a classic disadvantage of staying a long time. It isn't only the move of the chairman that creates moves, of course, but it is true that when the CEO moves you usually get a bunch of other moves. You have to measure that from the point of view of an outside director—that disadvantage against the advantage of keeping in place a team that you think is doing well. If we had exactly the right person jumping and ready to go—one whom we were afraid we might lose—then that would affect how long I stay. At this point, neither I nor the board see it as a factor that weighs seriously.

Over a twelve-year period—or, more importantly, over a twenty-year period—the changes in this industry are likely to be tremendous; the competition is terrific. How do you keep from going stale? How do you keep up with the basic changes?

Pratt: If you are trying to manage a company in 1985 with 1960 ideas, you're going to be in trouble. But, it doesn't necessarily follow that you have to bring in a new guy every five years. There is an offsetting factor too. There is a learning curve in becoming an effective CEO. A well-prepared person can step in and do a lot of jobs the first day. But I find that the willingness to make thoughtful yet major changes normally comes after a period of time in the job. After years in the job as a management team, we have been willing to do things that we probably wouldn't do at the beginning. It takes a while to appreciate the implications of new moves. You get confident after a time in the job. There are all sorts of advantages to experience on the job.

I don't argue that the standard tour of chief executive ought to be twenty years, or any particular time. It should be determined by the circumstances: the effectiveness of the organization, the team in being, its ability to keep up with changing conditions. The implication of your question is how can you stay for twenty years with things changing so fast in your business? The opposite thing also follows: In a business where a lot is changing rapidly, there is an advantage in having a team that has experience and background.

I think companies are making a mistake if they have forced retirement at 60; if they say that we need a new guy up there rapidly because of our rapidly changing business.

Forget the 12 or 20 years. The real question is what do you do to keep change going?

Pratt: Forget the 20 years is the right answer. What I do is no different from someone who has been in a job for three years. That's the point I am making. It is your philosophy of management that counts. In our kind of a business, your managing strategy is to create change. First thing we do is to spend huge amounts of money trying to crack the frontiers of new technology. We have to create changes in product lines; in our business, you're dead if you don't. There is probably no industry in the world where patents are more critical. The cost of production and the cost of entry and all of these things is such that once your patent protection is gone, the value of your product goes quite rapidly. That is not necessarily true in the automobile industry, for example, or even in electronics. They cross license almost everything. It has been interesting to me to see that the publicity about the Japanese stealing software is beginning to signal a new realization of the importance of protecting intellectual property rights. In our business, we adapt to the idea of change because we've grown up with it from the beginning.

Is this implicit in the organization, or is this a special drive that you . . .

Pratt: No, it's implicit in the organization. I try to sustain

it and try to promote it by the way we operate our planning system. And, interestingly enough, it spills over into other functions beyond products. Rather than trying to sustain the status quo, we try to push the frontiers in personnel policies and in our own manufacturing techniques—in everything. It is our culture to comb the surrounding world constantly for anything that looks like a good idea; pounce on it immediately to see if we can use it. It's instinctive with us.

Was that the case before you became chief executive?

Pratt: I can't claim that I originated that. I hope I have improved it and strengthened it. It's not just me, it's growing under the management team that I have. We even increased the unusual nature of our management team—my president will also be in the job 20 years. We came into the jobs at the same time, and we'll probably go out at the same time. At the time we created this one-two setup, we felt it gave us an unusual strength. In order to avoid the classic route—when one gets the top job, the other one leaves the company—we made a very strong effort to share the leadership in our management team; and we have done that. He reports to me, but he has a great deal of authority and responsibility for major parts of our business. It makes sense in our case because his was a full-time career with Pfizer; he has background feeling for our business that I didn't have. So we work as a team—which means that it's not just one job but two top jobs that are going to be here for a long time.

A bit more on managing in 1985 with 1960 ideas, please. Are you conscious of any real changes or difference in the way you manage the company—in decision making or participation in top-management decisions, or the way you delegate authority?

Pratt: That is not an easy question to answer. Offhand, my answer would be probably be: "No, if I, Ed Pratt, had been managing the company in 1965 instead of in 1984, I think I would have been managing about the same as I am now. It's a personal thing. People manage according to the way they think they ought to manage. Yes, I do happen to use a team-oriented approach. But I would have done that in 1964. I do not deny that there are outside factors that influence us—but they existed in 1964 compared to 1944. There is always an evolving and changing series of challenges that have to be faced. Until recently, the game was to get out there and plant the American flag all around the world. IBM did it; Pfizer did it; many other companies did it. Not too many years ago, the fear was that U.S. industry was going to own everything. Now, suddenly, American industry is being challenged by the rest of the world. That is probably the most significant development that American management faces right now. But that is a question of degree. If I had been managing to be successful in the competitive world of 1964, even though the competition then may have been more within the United States than worldwide, I think I would have done a lot of things the same way.

Is the fact that the company is so diversified and has to be organized into product groups, product divisions, profit centers, a possible fact that forces more team management?

Pratt: I'm sure it is. But we haven't gone to a holding-company kind of approach where you let everybody do his own thing. Our businesses are related. We reject the idea of a conglomerate; we don't think it makes sense. Even though it is a long way from Coty cosmetics to mining limestone in California, we see a thread through all these things; they were put together with the thread in mind. And if you are going to have a diversified business, then you are led to a team approach. You can't be experts in all these different things.

But let me mention some other changes in Pfizer. This is an old company—135 years old this year. Yet, when I became chairman, there was only one outside director. We now have eleven outside and six inside directors.

Stick with the board for another minute. Does the fact of an increasing number of outsiders—competent outsiders—make your job tougher?

Pratt: More challenging, I think. I kid with the board—reminding them that I'm the first Pfizer chairman in 135 years who hasn't had the final word. It is harder to the extent that you have to be prepared to explain your decisions to outsiders in more detail, to answer to somebody else. But that is offset by the fact that it is damned valuable to have that caliber of people to give you advise and counsel, and to review major decisions that are being made. And it is comforting to have this group of top-notch people who are, in a sense, backing you. So, it is harder in one sense, easier in another, but there isn't any question but that it is better.

Another change—we have become a much more visible company. I had never heard of Pfizer before I came here. Yet I used to walk right past this building when I was at IBM, way back in the late 1950's and, early 1960's. Pfizer has now become very visible. One of the big changes has been to move into the world around us in a much more aggressive way. Not just me but a lot of our executives are involved in interaction with government. We have become involved in politics, and we are recognized in New York City as being one of the most involved companies with regard to city matters. We have plunged Pfizer into the scene around it in a way that it never was before.

Does the fact of your heavier involvement in external relations change the mix of responsibilities between you and the president?

Pratt: Well, it could, obviously, but it doesn't. As I said, we share. It isn't that I'm Mr. Outside and he is Mr. Inside. He's also very much Mr. Outside.

Despite your emphasis on the team approach, is there any feeling on your part, or primarily on their parts that—come hell or high water—there are certain matters on which Pratt is going to make the decision?

Pratt: I have tried to avoid that to the extent that I can. And, yet, I'm a hands-on manager, so obviously, I don't want to find somebody betting the company without my being involved in that decision. I have used the management committee, six top executives who are board members, as the device to achieve that. Rather than getting terribly precise

and having a lot of written rules that say the president makes these decisions, these others must be brought to Pratt, we say major decisions have to come before this committee and you'll have a chance for input on them.

Relative to the internal board members—the management committee—do you feel you have the last word there?

Pratt: Yes, I do. But I very seldom operate that way. The last thing in the world that I'd want to say is that we are copying the Japanese when they mainly copied from us. But the idea of consensus management within reason is what I think we try to achieve, and I have gone out of my way to do so. In rare cases where there is a difference of opinion between me and the members of the committee, I'll even take it to the board with that difference of opinion being made very clear. In a sense, we let the board make the decision. There have been some situations where I'd have made a different decision if I was all alone with my little business. But here there are very few blacks and whites. I can't think of any black-or-white decision on which I would have gone one way and the board or the management team forced me to go the other way. I happen to be very highly impressed by the capability of others in my group. And I don't think I'm always right.

It's so complicated—there is so much input needed to maximize your chance for success—you're crazy if you don't try to bring that forward from all your people. You might try to get away with doing it all yourself, but the odds are against you. You are lengthening the odds against your success if you don't maximize the capability and intellect and the input of the key people you are working with. It's as simple as that.

GEOFFREY R. SIMMONDS[1]

Chairman, Hercules Aerospace Company
Formerly Chairman and Chief Executive,
Simmonds Precision Products, Inc.
Tarrytown, New York, U.S.A.

British-born Geoffrey Simmonds, at 55, had been CEO of Simmond Precision for 25 years prior to its acquisition by Hercules in 1983; had converted it from a family-owned to a publicly-held company with annual sales of $165 million. Its product base in electronic components and subsystems for the aerospace-defense industry became the basis for Hercules' diversification into aerospace.

Harold Stieglitz: You were chief executive of Simmonds Precision before its acquisition by Hercules. What is your present situation?

Geoffrey Simmonds: At the time of acquistion it was agreed with Hercules that the Simmonds board would stay in place and I would remain CEO for up to a year. This was to provide continuity. After about six months, the merger had gone very smoothly and people were becoming restless. They were waiting for the expected management reorganization. So, with Hercules's agreement, I gave up the CEO's job.

In about July, the Hercules chairman, Al Giacco, announced a major reorganization of the company into four world businesses, of which Aerospace is one. Nine of the twelve former Simmonds board members are to be directors of the new company, and I have agreed to serve as the nonexecutive chairman. Hercules Aerospace will have sales this year of about $750 million, with pretax profits of about $80 million. It is a very interesting challenge, and one I look forward to. I also serve as a director of the Hercules Incorporated board, which I am finding very interesting.

[1] Published in *Across The Board*, December, 1984.

Photographs © William Lulow

What was the essential distinction you experienced when you were no longer head of a freestanding company?

Simmonds: It's that you are not ultimately accountable anymore. Previously, I was ultimately accountable to my board of directors, acting on behalf of the shareholders. Now, all of a sudden, I am ultimately accountable for just a business unit of Hercules.

Previously, I would have made decisions either alone or with the confidence that the board would back me. In the aerospace/defense business, because of the nature of some of the programs, there are things you can't discuss with your board of directors. You have to do what you believe is right. If you have a good relationship with your board, they back you in silence, so to speak, not really knowing what you've done. Obviously, when you now have a parent, you've got to think a little bit differently. But one of the reasons that I picked Hercules when the offers were on the table was that I had the feeling that the chairman of Hercules was clearly

an entrepreneur and not a committee chairman. In all my dealings with him about Simmonds, there really has not been a thing that I have recommended that he has not accepted.

Boiling it down. The loss of ultimate accountability and the fact of having to check decisions even though you've been given the go-ahead are the greatest distinctions?

Simmonds: Yes, and of course, that loss of ultimate accountability has an effect upon one's feeling about the business. You know, when you are ultimately accountable, there is pressure on you in terms of the hours you work, your sense of involvement in everything. In my case, since 90 percent of my personal estate was involved in Simmonds, I had an added pressure to be very attentive. When we sold to Hercules, I wondered whether it was a mistake to continue as CEO even for a day. But others I talked with said: "Oh Geoffrey, you've been so involved in every detail of the business only partly because it was your wealth. You could still be a very effective professional manager even if you didn't continue to give quite as much time and involve yourself in as many things as you have." I concluded that that was probably true.

But there's no question that once the ultimate accountability is taken away from you, and once your investment in the business is gone and all the options are removed, it's bound to have an effect on you in terms of the level of commitment that you have. Plus, you inevitably realize that a phase has ended in your business life; a new phase of your business life is starting, but you don't yet fully understand quite what those new roles are.

So what label do I attach to you now? Owner/manager? Professional manager? Entrepreneur?

Simmonds: I gave a speech about entrepreneurialism at my old school in England recently. I emphasized that the characteristics of an entrepreneur can be seen in a start-up company, they can be seen in a mature company, they can be seen in a turn-around situation. Being entrepeneurial is a characteristic of all good managers, irrespective of the age of the company, the age of the individual, the company's size, or how long it's been in business.

The same goes for leadership. It is an inherent part of the function of the owner/manager, the entrepreneur, the professional manager. But I think it's inevitable that the leadership will be expressed in a somewhat different way. The type of leadership I provided as the major individual stockholder/manager was, of necessity, because of the pressure put on me, somewhat different from that of the man who is working just for a straight salary and bonus.

I recall a Conference Board meeting at which an executive said: "What we're looking for is people who can manage ambiguity." That's what's happening today. There's more competition than there's ever been, a more rapid rate of technological change, and people's expectations are changing the whole time. So what you suddenly discover is that there are certain people—and this is most people—who manage well in what I call a steady-state condition. They come to work every day, use their instincts and their experience to manage something which is changing very little. But now what we are looking for is the generalist rather than the specialist—the person who thrives and gets his challenge from the very ambiguity of whatever situation he has to deal with. The first person may be terrified by that ambiguity, the second person is stimulated by it.

That gets into the business of decision-making. How does the person who can manage ambiguity go about making decisions?

Simmonds: I've always had the feeling that if you think out issues very thoroughly and lots of good questions get asked, the right thing to do usually becomes self-evident. When intelligent people talk to one another and ask the difficult questions, the chief executive officer doesn't have to say, "Gentlemen, I have decided that this is what we are going to do." Instead, the chief executive winds up verbalizing what is clear—what the senior executive group has come to be committed to.

I think you can have three types of decision-making relationships with your people. One is where, in effect, you wind up by saying, "Well, gentlemen, I think what we are all agreeing to do is the following . . ." In which case we have agreed on the right thing, and we go ahead and do it.

Occasionally you have situations where you may have to say, "Well, look, it's clear that there are some conflicting views here as to what we ought to do, and I have decided, for these reasons, that this is what we ought to do." And if your judgment in the eyes of your subordinates over a period of years is, on balance, good—better than 51 percent—what some of them will say is: "Well, Geoffrey, I'm not sure that in fact you're right, but you are ultimately accountable and if that's your decision, I'll back you and I'll support you."

Then there are the most difficult situations: Certain people may feel so strongly that it's an issue of principle that they are going to say, "Geoffrey, you are ultimately accountable, and I understand that only one person in the end can make the decision. I understand the decision that you've made, buy you're going to have to carry it out without me. And so please accept my resignation."

My experience over 25 years as a chief executive officer is, unfortunately, that the number of people who will *do* that are fewer than the number who will *feel* that and will subsequently try to impede the implementation of the decision. Eventually, the chief executive discovers that [the dissenter] is trying to impede that implementation, and they come to a parting of the ways.

Would you say that a substantial part of leadership is to get the commitment of others to some ideas that they don't necessarily subscribe to?

Simmonds: Yes, I think that's a fair statement. I think also that if you have a new chief executive coming into a business, particularly if the business is in trouble, people will want to back him. What they say is, "He's trying to find solutions to our problems; he clearly is a breath of fresh air in this organization; therefore, we ought to back him." They are not, at that point, able to say, "This man clearly understands our

business well enough," or "We've seen enough of his track record over the years to know that we should back him on this particular decision." But the longer you work in a business, the more you build your track record. As I said, about 51 percent of the time your subordinates can see that your judgment process is very good, and I guess that in a well-run company it's a lot more than that.

Now, you must have somebody in the top management of any organization who will stand up to the chief executive and tell him not so much that he's wrong, but . . . . Let me give you a for-instance. On a couple of occasions one of my vice presidents said: "Geoffrey, you're acting out of character," or "I don't think your mental-logic processes in this situation are working the way they normally do."

Does that have to be somebody within the organization? What about a board member?

Simmonds: Board members, yes. I can think of times when I would come up with a proposal and someone would say, "Geoffrey, I think that you've lost your sense of priorities. Why are you in here proposing this when it's clear that what you ought to be spending your time on is this or that, because the yield to the company would be much better." If he'd give some good arguments and there was support within the board for that view, then obviously I would back off and say, "Yes, I understand what you're saying."

I sometimes used to drive home at night with my tail between my legs. But then I would say to myself, "Geoffrey, what do you want? Do you want to have a board of directors who act on the nod and say, 'Yes Geoffrey, good fellow, if that's what you want to do why don't you go ahead and do it?' Or do you want some outside directors who are going to say, 'Look, I think you've lost your way,' or 'I think you've lost your priorities,' or 'I don't think this is a good use of company assets,' or whatever it may be?" The board, yes. But you have to bear in mind that I see those people only six times a year.

It's the fellow who is working with you every day, who is involved in most of these internal high-level meetings, who sees, when you're coming to a decision, that your logic is out of sync or that you're out of character with the way that you normally conduct yourself. You need somebody to tell you. And then you've got to be prepared to listen and not get uptight about it. On several occasions when my executive vice president said this to me, he was clearly right. I was very grateful to him for having drawn my attention to it. But with some CEO's I get the impression that you can't do that without its being a career-limiting statement.

Continue on the leadership a little bit more. What other ingredients do you see as significant to leadership?

Simmonds: Chief executives can have a very favorable effect in areas that are not necessarily big. One of the things I've tried to do—haven't always succeeded, but it's been very much my objective—is have everyone know that if they work for me and want to talk, I will always try and give them as much time as they want. I will try to avoid giving them the feeling that I've only got five minutes for them. That gives them a sense that I am willing to listen, and that I value their views.

Another thing, small but perhaps terribly important: I'm told that the view of me in the company has been that I am very demanding, but very fair. I think that goes a long way toward making people willing to follow.

You know, when you talk about what makes a good leader, surely part of it is that employees trust him because they understand what it is he's tryng to do. He has asked and listened to others' opinions, and even if it hasn't come out exactly the way they advised him, they sense that he did take their views into consideration. Therefore, they find it much easier to support his decisions.

I'm sure you've heard about the two types of leadership you have to be careful to avoid: The first is where you lead so vigorously that when you look over your shoulder nobody is following. The other is the CEO who says, "Excuse me, there go my vice presidents, I've got to catch up." A CEO is trying to find the right balance all the time. To lead, you've got to have a vision of the company that you're able to articulate and that people will believe in. You must lead with enough vigor so that it becomes exciting for people to want to work for and follow you. And part of that gets back into their trust, confidence, and so on.

You can't be in a position where people perceive you not to be leading, that other people in the company are leading. One of the criticisms I've heard of very big companies is that sometimes the CEO is seen to be a person who passes judgment on other people's decisions. I think it's terribly important for the CEO to be seen to be an innovator of thought and action, to always be challenging everybody to do more. You know, if you play golf or tennis with somebody who is clearly a much better player than you are, even though they beat the life out of you, you still play your best.

Do the things you are mentioning now—especially the little things—square with the traditional view of the great leader, the man on the white horse?

Simmonds: No, [the view] is changing all the time. If you get the type of manager who wants to manage very autocratically, he'll still find people who will salute the flag, do what he says, and stay with the organization because of the money and the various other reasons. What we're noticing is that the foreman can no longer say to people who are in their early 20s, "Joe, do this." What they say is, "Jack, why should I?" And those newer people want to be given the time to tell you why they think there's a better way to do it, or why they think you're wrong.

What that means, translated, is that management is clearly a much more participative process today. In any company, the chief executive officer has the ability to say, "Gentlemen, I've heard enough, please do it my way!" We chief executives are spending more and more time trying to get people to believe that what we're doing is the right thing, therefore, by going through a more participative process.

We always used to pride ourselves on the speed with which American managers made decisions. Then we wondered why we had such a hell of a time in successful implementation. Part of the reason was that nobody was committed to what we were deciding, or understood what we were trying to do. In fact, because of their lack of understanding and commitment, they actually were trying to impede the implementation in many cases.

When the Japanese make a decision, their speed of implementation boggles the mind. It often appears to the Westerner that they won't make a decision. But what they are actually doing is working the issue down through many different levels of management, constantly questioning its implications. So finally, when the time for implementation comes, they can carry it out with astonishing speed. One of the things I've tried very hard to do at Simmonds, principally over the past five years, is to put a lot more management effort into involving people. . .to get a very high level of commitment to what we are trying to do. If a divison is going to bring in a major piece of equipment, a new computer, for example, it's very easy to say, "Let the division president and the financial officer make that decision." What I told our division presidents was, "Why don't you take the extra 90 days to involve a lot more people at many different levels in the division? Get their suggestions and ideas before you make the decision to bring this in." We found that the quality of the decision was greatly enhanced. And when the equipment finally arrived, we were able to get in on-line much quicker.

If I go back to '79, '80, and '81, average productivity gain in Simmonds was probably about 3 percent per annum. That was in current dollars. In 1982 and 1983, we had 16 percent per year, back to back. A lot of it has obviously come out of investment. But I think that a great deal of it has come out of all these human programs in which we've tried to change the way we work with people—to get them involved at the lowest level of the company and more interested in what they are doing, by giving them a greater say in their work.

We're never going to do it exactly the way the Japanese do, or to the degree that they do it. We're much more individualistic, much more entrepreneurial, and that's part of our great strength as a nation. Surely we've gone a long way in the past five years in American industry in using the participative process to get a more successful implementation of key decisions. And that change has had to come from the chief executive. If the chief executive doesn't want to run the company that way, it isn't going to be.

Now understand, one of the things that I've said to everybody is that participative management is not consensus management. I am still ultimately accountable, and I could never tell the board or the shareholders that I didn't do what I thought was right because my people didn't agree with me. So in the end, I must do what I believe is right. So we're not going to make consensus decisions.

One other point on leadership: Charisma—what is it?

Simmonds: Sometimes you meet someone in business and you just sense by the way he looks you in the eye, by the warmth of his personality, by the way he shakes your hand, that he's in a marketing role. He exudes what some call charm. Well, whatever it is that a chief executive exudes, it isn't that. But there is something about the way an effective chief executive officer conducts himself in dealing with his people. Maybe it's part of a sense of caring, not only about the success of the company but about the people who are—not meaning to be corny—part of the company family. That you are a person whom they admire, whom they respect, whom they think has good standards. The ethical standards that a chief executive establishes and practices are very important.

Over the years, there have been opportunities to do the wrong thing. An executive would come to me and say, "Look, we've been told that if we pay this outfit $50,000 or $10,000 or whatever it is, we can get a solution favorable to the company." I always asked, "What do you believe my answer is?" He would say, "I think your answer is to tell them to go to hell!" And I'd say, "I'm glad you know me."

That comes from their working with you. They discover that for the CEO, making a buck is not everything. The company has a line it will not cross, even if that means we lose market share. We've got to live with ourselves and with one another.

If I used the phrase that the CEO must epitomize the value system. . . .

Simmonds: Absolutely. He sets the value system of the company, and people see it in the many different decisions taken.

But how many individual people within the Simmonds Precision organization can come into personal contact with your value system? How do you get it pervasive?

Simmonds: I've been chief executive for 25 years. So over a period of time, the 10 or 20 people who work most closely with you begin to get a very strong sense of what your value system is. There are constantly things arising that test that value system; for instance, the way you deal with issues relating to your employees, issues relating to your customers, issues relating to the communities in which you operate, issues relating to your suppliers. They see you in action, constantly being tested. Over a period of time, it keeps filtering down, so that, in effect, that value system becomes institutionalized.

Now, I have to admit that having your name over the door helps. If my name were Smith, I still would have conveyed the same values, but it's Geoffrey Simmonds and people know the Simmonds Precision stands for the following values. . . .

I have also thought it important to put in writing these qualitative aspects of business, which we have called "corporate purpose." Most companies today have business strategies, but what is their business purpose? So much endeavor must have some higher purposes than markets, products, and profits. It's a good discipline for each company to think about what its purposes are and make a commitment to them.

But now you face a situation where Simmonds Precision

Simmonds' Corporate Purposes

The purpose of Simmonds Precision is to conduct our business in such a way that we are considered an outstanding company by, among others, our customers, our employees, our parent company, our suppliers, and the communities in which we operate. We will provide our customers with a series of essential and distinct high-quality products and services, and in so doing, earn significant profits and a high return on invested capital.

As a subsidiary of a larger organization, we shall maintain a strong sense of responsibility to our principles as well as our obligations to the parent company.

We intend to make management in the '80s an increasingly participative process at all levels throughout the company. By so doing, we will enhance job satisfaction, improve product quality, increase productivity, and assure our competitiveness.

We will be a demanding organization which always strives for excellence, rather than efficient mediocrity. We place a high value on an environment inside the company which encourages individual development and promotes dignity and respect for each employee. We recognize and reward individual and group initiative and performance. We believe strongly in the free enterprise system, in defending that system, and in the purification process of the marketplace. We accept the social responsibilities of business.

In our commitment to be an outstanding company, we reject the use of any unethical methods to achieve success. We are as dedicated to the quality of the process as we are to the result itself and to managing our business according to these principles.

has to bow to a possibly different value system—that of Hercules. Or does it? Before you leave, are you going to, in any way, shape, or form, enunciate the values that Simmonds Precision stands for?

Simmonds: Yes. We have a statement of corporate purposes which expresses very well my thinking in the current situation. (See box.) The new CEO asked me to be at our annual marketing meeting, which involved 70 or 80 people, and at our annual strategy meeting. I talked with them about where our industry and market are going over the next 10 years. But I also talked a bit about the legacy that I thought I was leaving them as chief executive officer, and I hoped that they would not treat it lightly. I am talking about the whole value system, the commitment to excellence I've tried to follow, the sense of fairness, the business of listening.

The man who's now running the company is a very able man but a very different person. I've tried to stress that just because somebody else is going to do it differently doesn't mean that it's wrong. There is no one right management style. I hope they will adapt and be as effective under their new leader as they were under me.

One little personal observation. You give off an aura of distance. Is that a requirement for a chief executive, or just a difference in the British and American styles?

Simmonds: Americans are very outgoing, warm people. They are going to call you by your first name the first time you meet them. The British way is to more reserved, which Americans can interpret as being snobbish at the one extreme, or being distant at the other extreme. But as they begin to spend more time with British people, they discover that, in fact, they are very deep, very sincere, very warm—but not in the strong, outgoing American way. Maybe if you were to talk to the other people in the business they would say. "Yes, I thought Geoffrey was distant, but as I got to know him more I found you could get quite close to him." Maybe it's also that I've never mixed the social side of life with the business. What I've said to the fellows here is, "Look, I'm very fond of you all; in fact, I spend more time with you than I do with my wife. But I really don't want to be involved with you in my social life. I can't think of anything more boring than having to spend my evenings with you after having worked with you all day."

I like to go off and have an entirely different group of friends. So the social contact I have had with my company colleagues has been minimal. Now, I know that in some companies the social life is totally integrated with the business process. But I've also felt that if it was ever necessary for me to dismiss anybody, I wouldn't want to discover that his wife was on my wife's bridge team or in the garden club or whatever it happened to be. I wanted to feel that there wouldn't be any difficult social implications out of making a difficult people decision.

PAUL R. STALEY

President and Chief Executive
The PQ Corporation
Valley Forge, Pennsylvania, U.S.A.

Paul R. Staley, at 55, has been CEO for 4 years. PQ, formerly the Philadelphia Quartz Company has diversified, now manufactures silicates, silica-derived products, and other speciality inorganic chemicals. Operations are worldwide, annual sales are approximately $200 million.

Harold Stieglitz: You had been president of PQ corporation for several years before becoming "president and chief executive." Did you feel any greater burden as a consequence of being chief executive as opposed to just president?

Paul R. Staley: No. Each of those situations can be very, very different. I guess it really boils down to how active the chairman-chief executive is. The arrangements are probably as different as are the two individuals in those jobs in any particular company.

Was there any difference in the way the people in the organization regarded you?

Staley: Not really -- but possibly in a sense: "Well, he has been made chief executive. Maybe that means there is some commitment of the shareholders to what he is about in this company."

Tell me a little about this phenomenon that people are calling "group decision making." To what extent do you get involved, or are you involved, in group decision making?

Staley: First of all, "group decision making" is a very broad term that probably has as many definitions as there are people who use it. We have been practicing "participative management"—*results-oriented management*—for many, many years. In other words, the arrival of the Japanese model wasn't sudden with us. We have two Japanese plants that are run in that tradition. What people do not understand is that the Japanese style is not a uniform phenomenon. We call ours "participative management"—which combines with our results management, combines with our delegation of authority, combines with our "small is beautiful" way of trying to operate. We work very hard to have everybody involved in the company's results right up to their eyeballs, up to their full capabilities.

Let's stick with the big decisions: On those, do you sit in this office and make the determinations?

Staley: We pull the top people together and say, "Let's go at it." There's discussion and input by everyone, but I make the decision. Sometimes what the decision ought to be becomes very obvious. There is concurrence—but not in the sense that we take a vote. But there are many things that are decided by me on which there is not concurrence.

I do not work at developing a consensus. I will work at getting everybody's input—their thinking and their creativity and the synergism that may develop among them. But I am not working toward a consensus in the sense that you go at it in a Quaker meeting—until you finally get everybody to nod "yes." We try very hard not to do that because we feel consensus is a very negative management phenomenon—usually calling for the least common denominator, which normally would be a terrible decision.

Are you ever in a situation where you have made up your mind and you go in there and, in effect, talk about this matter until they all come around to your point of view.

Staley: There are occasions when I have made a decision—or am planning to make a decision—and I will put it to that group for in-depth discussion, to make sure I haven't missed anything and to make sure they understand my reasons for the decision. But it is not to gain consensus in the sense that it is everyone's decision. If modifications are suggested that make sense to me—certainly I would modify my decision.

So you are never in a situation where a major decision is going to be taken by the corporation with which you cannot agree?

Staley: That is correct—but that, by definition, is a *major* decision. There are thousands of decisions made all around the world in the corporation that I would make differently if they had asked me. But they are responsible for that part of the business, and if they feel that the decision is the right one to get the results that they are looking for—and we have agreed they should be looking for—then I'm not going to second-guess that decision, unless it is outside what I think is a spread of a reasonable decision.

Well, could I assume that what you have done is to set up a mechanism for delegating authority that has sufficient constraints so that you don't have to sweat too much—that if someone in the field pulls a boner, it's not going to cost the whole company?

Staley: There are limits of authority; but, still, there are many decisions being made by people that could cost us—obviously. But not in the sense of putting us under. In fact, we are diversified enough so that there is no one decision I could make that would put this company under.

Say that again.

Staley: We don't play Russian roulette. To put our whole decision process into perspective, we are now a company with a tremendous diversity of business that we have, quite intentionally, linked together in some kind of fit. You can lay a tree out for PQ that shows we branch from a core—but we don't have four or five separate trees. The way the company operates is through results. We have some broad policies, you know: "Thou shalt not kill," etc. But with the agreement on results, both strategically and short term, people have responsibility—and they feel the responsibility—for conducting their business in such a way as to achieve those results. So I'm not involved at all in the kinds of decision making that many chief executives get themselves involved in.

So the fact of diversification leads you to organize the company into relatively self-sufficient units, which then leads to a high degree of decentralization in which control is exercised through management by results. Now, what do you get involved in? What do you have to know?

Staley: What I get involved in most profoundly is where we're going, what areas of business we are pursuing, and how well we are doing with them—what new areas do we want to explore, or move into. The question then arises of the generation and application of resources—both expense resources and capital resources—to the fulfillment of the overall and individual objectives of the company. That is really my bag.

Do you know know enough about all those businesses to make intelligent assessments; to, in effect, be in a position to evaluate the judgments made by the people who come in and say: "Well, give us five million more and we'll make this thing grow?"

Staley: I gain enough understanding so that I can concur in that decision. I say "yes" or "no" to it, and if I say "yes" that is my decision as well as the decision of the individual involved. I am never in a situation of going to the board and saying: "This division wants to spend five million. I don't really concur, but we ought to."

Can you picture yourself running a flock of unrelated businesses, separate trees?

Staley: We have chosen not to because we think it is very important that these branches of the trees not only be very successful in what they're doing, but also that there be a synergism among them. One of the problems of the chief executive in a really conglomerate setup is understanding a wide variety of businesses. I do not have to sit here trying to understand what the key elements and potentials are of a rent-a-car business versus a commodity-chemical business. If I had chosen to go that route, and I didn't, I'd want to know as much about the separate businesses as I do now.

How will you know when it is time to stop being CEO?

Staley: First, if I start to catch myself with hardening of the arteries and I don't see things progressing in the kind of way it had been—cutting edge and grabbing hold of new ideas and the like. Second, if I start to feel stale. And, third, and that will probably be the reason I will start progressively to step aside, is the fact of my Number Two being ready.

Would that be a compelling factor? If you had a Number Two who was ready, could you see yourself getting to the point where you'd really say: "I'm going to get out because I'm holding him back?"

Staley: Yes.

Do you think your successor is going to have a harder job then you have?

Staley: Taking into consideration: one, the character of the business as it is; two, the growth potential of the business; three, the competitive environment; four, the changing environment. I think his job will be as tough. It will be somewhat different. I was involved in what you might call a turnaround situation. He will be involved in how to build multifaceted businesses, and how to keep the dynamics rolling and the individual businesses prospering as he adds to that tree.

Will there be external pressures, in terms of what we generally call public affairs, that will make his job more difficult than yours?

Staley: Obviously, yes. A higher and higher profile all the time will place more call upon him to be more public than I've had to be—even remaining private, as we are very determined to do because that's a huge benefit to our shareholders.

You stress being a private company. What is the biggest advantage of being private, as far as you are concerned?

Staley: Stock value based upon performance of the company and not upon the vagaries of the open market.

RENE TANG-JESPERSEN

President and Group Chief Executive Officer
The Great Northern Telegraph Company Ltd.
Copenhagen, Denmark

Great Northern's primary business is in telecommunication services and electronically based products. Principal operations are in Denmark but it offers worldwide sales and services, has 35 subsidiaries abroad. Annual sales ('84) were approximately $200 million (at an exchange rate of DKr 11 = $1).

Rene Tang-Jespersen left Honeywell Europe to join Great Northern in 1976, was appointed CEO in 1983. He is 46 years old.

Harold Stieglitz: Broadly speaking, in the year and a half you've been CEO, what stands out as your most important duty?

Rene Tang-Jespersen: I am trying to implement some of my own thoughts and ideas of where the company should go. That requires finding very good partners in the management team, and convincing them about my own ideas. And I'd have to add a third point: You have to satisfy your shareholders—that's becoming increasingly important here—if you want new capital. You have to give them not only financial results, but you have somehow to convince them that there is continuing performance and also, especially in an old-world traditional company like this one, that you are maintaining a—blue chip isn't the word—prestigious, good-citizen type of profile.

In that third area, do you think first of the shareholders or do you think you have to satisfy the board?

Jespersen: I have to satisfy the board. There is a two-tier system in Denmark. The board is a supervisory board elected by and representing the shareowners. It's the influential persons on that board you really have to satisfy first because, after all, they are your employers. To be very pragmatic about it, it is the chairman's job to hire and fire the chief executive. You would not be realistic if you didn't say you had to satisfy at least the chairman of the board.

Does that mean that you report to the board or to the chairman of the board?

Jespersen: Legally, there is no doubt that I report to the board. For all practical reasons, there is no doubt that the chairman is by far the most active member of that board, the one with whom I have by far the most continuing dialogue. Therefore, it really becomes a sort of reporting relationship.

When you were appointed as chief executive, was it the board's understanding that you would be giving the company a change in direction?

Jespersen: Yes, it was, but nothing dramatic.

Was that almost a condition of your accepting the job?

Jespersen: Not for my accepting the job, but, I think, it was an important aspect of the board deciding on me. Sometimes it is very difficult to be the number-two man, as I had been for nearly six years, and then be the number one, especially if you have been more or less identified with a professional speciality. I had submitted to the board a resume of the direction in which I would try to go—for the orientation of the company and also with respect to organization. I said: "This is roughly what I would try to accomplish."

Obviously, before the final election, there are some board meetings from which you are excluded, so I couldn't tell you exactly how that discussion went. But the company has had a tradition of having qualified engineers as top executives, and a majority of the board members have the same professional background. I am not an engineer, and that alone indicates a willingness to expect some possible changes.

The change you contemplated—was it in the direction of the company's business, the way the company was going to be managed, or both?

Jespersen: Both, but with an emphasis on the way the company did business. I wanted it to become much more customer-market oriented. That's where I felt we had a drawback.

Understand that the company was founded in 1869; up to the time my predecessor, Erik B. Rasmussen, came in the early 1970's, it looked on itself as a telegraph company and a holding company. It had a portfolio of shares, representing only a fraction of a percent of some companies, up to 100 percent of others. Erik started to change that concept by getting rid of some companies that represented either no opportunity or too high a risk, and then by adding some new ones. Of today's total turnover, 30 percent existed before 1976, the other 70 percent have been acquired since then. Even so, what we have today is a group of companies—most of them are old and a number are rather mature in their present form; some may have just about spent their useful life in that form. There had been visions of getting into a higher technology area and Erik certainly started that. I wanted to be a little more aggressive, to try to do it more quickly.

But we also needed a further change in the way the company operated. We were introvert engineers who could produce the finest products in the world but who did not bother to discuss those products with the customers—whether they wanted them and whether they wanted to pay for them.

From 1973 on, did the company begin to lose the character of an engineer-dominated holding company?

Jespersen: Absolutely, that is what Erik set out to do; it's also presumably why I was hired as his number-two man. Coming from Honeywell, I had some experience in that type of operation. I came in as a financial man who was more interested in management than in the financial profession. The job I was hired for, as number two, was really to set up a planning system and a control system for a group of companies that would be managed from a central office from then on. Erik and I shared a common goal.

Was that period from 1977 on a sort of training period with the assumption that you would move up to the top spot?

Jespersen: No, I don't think so. I didn't expect it; and I don't think that Erik expected to be leaving as soon as he did. His move to become CEO of F. L. Schmidt and my move up may be better understood if I tell you that both companies had a common chairman from 1982 onwards. But I don't think it was a planned process from anybody's view.

Does the fact that you followed a very strong personality like Erik Rasmussen, plus the fact that he now continues on your board, operate as any sort of constraint on you?

Jespersen: It would be untrue to say that it does not occasionally constitute a constraint. I have an advantage because we are very good personal friends. But sometimes when you want to change something, it's either an explicit or an implicit criticism of the past. That is sometimes a problem.

Apart from that, it can be advantageous. You can talk to a person with a deep insight and a deep knowledge, and you can even make certain that he will support you. If he does that, you know you stand a fair chance to win the game.

Given the choice between having or not having the former chief executive on the board, which would you prefer?

Jespersen: You have to be specific. In this case, I think it's great. I would prefer to have him as a board member. But had I not known him at all, had I been hired from the outside, I would never have accepted having the former chief executive remain on the board.

Are you more conscious of his presence on the board than the chairman?

Jespersen: No, but that's because the chairman is an even stronger character. But next to the chairman, the vice chairman and Erik are presumably those of whom I am most conscious.

I understand that under Denmark's two-tier system, the CEO can be a member of the board but not its chairman. What distinguishes the job of the chairman from your job?

Jespersen: What really distinguishes it is that he—backed by the board—has what amounts to a veto right over the policies that you want to adopt. It's not a legal veto right over your operating procedures, but company policy and so-called unusual dispositions must be approved by the board. It is simply that if you do not have the chairman's support, you are lost beforehand.

Can the chairman take any initiatives in terms of policy, direction, and so forth?

Jespersen: If by that you mean can he instruct me to do something—no, he cannot but the board can. He can propose things and you would be pretty stupid if you didn't listen very carefully. He does not normally take the initiatives, but you really have to leave the choice to him in a number of areas.

Could he move in? In other words, he says you're doing a fine job—but right now, we're in some difficulties so I have two choices: I can replace you or I can take a stronger hand in the management of the company. Could he do that?

Jespersen: That would at least have to be an informal agreement between the two of us because legally he cannot do it. Formally he could do it with the support of his board, but he cannot act as chief executive. You hear of this happenning occasionally—a chairman moves in for a period of time for one reason or the other, usually if the company is in deep crisis. But the board can appoint a director—other than the chairman—as "kommiteret," being a person who represents the board in the daily management of the company. Then the CEO sees the yellow card!

You understand, I'm sure, that I'm trying to discern the differences between Denmark and the United States. In the United States, we can have a chairman-chief executive who, if he chooses to, can operate the way your chairman does, or who can move in if he is dissatisfied and just take a larger and larger hand in managing the company.

Jespersen: But here, we have a law against that. Our company act states that the first responsibility of the board is to appoint the executive officers of the company, to issue guidelines for the operation of the company, and to supervise the execution of its instructions. There are clear distinctions between the rights of the two in that a chief executive officer may not be chairman of the board of directors—and vice versa.

As I've talked with various people, especially in Germany, in Holland, and here, I'm having some difficulty distinguishing the extent to which the law is controlling and the extent to which the practical or pragmatic situation is controlling. And, quite frankly, what I hear is "Yes, we respect the law . . ."

Jespersen: When it suits us . . .?

Not when it suits us, but in tough situations, we have to bend a little bit.

Jespersen: That's it. This is why I said it had to be an informal agreement. In fact, during my professional life, I have seen a clear tendency toward the chairman being more and more active more and more like an executive officer, in many cases. It looks more and more like the U.S. system, even though the legal organization is different.

Is there any question in your mind that you have the right to hire and fire the top management in the company?

Jespersen: I do not have the right to hire and fire manage-

ment persons whose appointment is confirmed by the board. Legally, the board has a veto right. But practically—yes.

To me, you seem to be very young.

Jespersen: I'm 46.

In an old-line company, was the fact that you are so young a handicap?

Jespersen: I don't think it is so much of a handicap in my case because of Erik—he happened to be about the same age when he was hired. He represented a break with the past, and I confirm it or add further weight to that break.

Can you think of anything special you did when you were made chief executive by way of saying, "There's a new man in town?"

Jespersen: I had an American friend who used a good American expression. He said: "Remember you're the new girl in town for a very short while." There isn't anything dramatic that I did. First of all, remember I had been here for the better part of six years; I had agreed up to 95 percent with what Erik was doing and supported him 100 percent. So there weren't really the big changes that I could make that would at the same time make sense. There would also have been the danger of being perceived as a dishonest person—loyally supporting him and then, the moment he was out, saying "that was wrong, I'm going to do it entirely differently."

I started a very strong management-training program internally, and explained to people in the group that the world around us—and between us—was what we were going to put a lot of emphasis on. Another thing I did very soon was sell off a wholesale chain that had little strategic value. And I announced one thing that simply couldn't be done so quickly: We were going to change to a much more customer-and market-oriented way of operating the company and that we would start working on what I would call a corporate culture program—that's just a buzz-word for communicating to all employees what we understood about the company; our traditions, beliefs and directions including the new ones. One thing that I got in the papers for was saying that once that was done, people would have to decide whether they liked the smell in the bakery or they wanted to leave.

Looking at the year and a half I've been in this job, I'd say I initiate activities or programs; I make the announcements myself for my management group. In other words, I commit myself to it publicly, and then I try to convince others to follow, to support, and to contribute. I guess the guru books would perhaps term what I try to practice "visible management."

That's a new term for me.

Jespersen: Simply, I try to stand for what I think we ought to do and, I fight for it.

Of these three—initiative in terms of direction; the articulation of the goal; and getting the commitment—where is your leadership really tested?

Jespersen: Obviously, it is really tested in getting the commitment. At least that's so when you have only been in the role for the short period of time I have and when initiative and goals are still "in stock." I can also say that, as time goes by, I suspect that getting the right vision will become the most difficult.

Is that because, as time passes, there will be greater respect and confidence in you so that you won't have to work so hard to get the commitment?

Jespersen: Hopefully yes, but I was stressing that it's always very difficult to know if you're finding the right way in the long-term future.

It's a long way off, I know, but how will you know when its time for you to quit being CEO?

Jespersen: I can't imagine that—I suppose it would be when I started not being very happy going to work in the morning or when I couldn't sleep at night because I felt I couldn't solve the things that we had to solve. That can also happen now but only for short periods which doesn't matter. If it became persistent, it would be high time to cease.

C. William Verity

Chairman, Executive Committee and
Nominating Committee;
Former Chairman and Chief Executive
Armco, Inc.
Middletown, Ohio, U.S.A.

C. William Verity, grandson of the founder of American Rolling Mills Co., became president and CEO of Armco Steel Company in 1965 when its annual sales were $1.2 billion; chairman and CEO in 1971. When he retired as chairman of Armco, Inc. in 1979, annual sales were more than $5 billion. Mr. Verity is 68 years old

Harold Stieglitz: If you were to become chief executive today, do you think you would bring substantially different emphases or approaches to the work? I'm not asking about any specific business decision but your relative emphases in managing Armco.

C. William Verity: Fortunately, experience does make you a better manager, no matter what. When I first became chief executive officer in 1965, I had been on the board of directors for only four months, and had really been involved in top-management decisions for only about eight months. I was really as green as one can be. I had ideas as to what I wanted to see Armco become; I had been thinking about that for years. But being thrown into that job — and having executives who were not so sure I could do the job and a board who hardly knew me—is something I would very much want to avoid. Certainly, it never has happened again in Armco. So, would I do things differently? Certainly! I would hope that someone would have done a better job of preparing me for the top spot.

But hadn't you moved around in some key jobs before becoming CEO? As I recall, you also had a major portion of Armco reporting to you?

Verity: Oh yes, in the Armco and Sheffield divisions, and then as head of our reorganized corporate staff and steel operations. But it wasn't until April of 1965 that I was elected to the board and Logan Johnston (our chairman, and my predecessor) told me: "When I retire on October 1st, I want to make sure that you become the next president." That was only four or five months away. What you can learn about a board and what is going on in four months is very, very limited.

It was the lack of experience in dealing with the board that was the major shortcoming?

Verity: Yes, it was. I knew how to handle the corporation; I knew what I wanted to do; I had a set of ideas. But I did a lot of bumbling with that board—I didn't understand our relationship. I felt that if you were chief executive, you did what you wanted, then told the board. The board doesn't like that. The board wants to discuss what you are thinking of doing before you do it.

It took me a while, but I finally found out that a good relationship with the board is essential; that the board as a whole and individually can help you in many, many ways. I finally realized that I wasn't talking to these people individually. The board is totally different now; then it was Logan's board. Logan had named all of them: They were his friends; he played golf with them, I didn't. He was no longer in charge, but he was still on the board and he headed the "club." What I had to do was sit down with them individually and say: "Look, I'd like to talk to you about Armco—what I have in mind—how you feel about it—where you think I am stumbling — what you would like to see done." After I started that process, the relationship became one of cooperation. But it took me about five years to figure that out and get to that point.

As you matured in the job, was there a swing in the relative emphasis you gave to planning or control mechanisms or resource allocation or external relations?

Verity: Well, you have to take things the way they are. At Armco we had decided, even before I became CEO, to refurbish all of our steel plants through a $600-million modernization program to be completed about 1967. The whole focus at the time was to get the job done. But when we finished in 1967, it became obvious that relying just on steel was going to produce a very dismal return for our investors—7 to 8 percent when they ought to be getting 15 or 16 or 18. No one could make that kind of return in steel alone.

That's when I started talking about Armco being not just a steel company but a materials company. That was the beginning of the long-range planning that became a very vital part of what I brought to Armco. I stumbled into it. Diversification has always been something that Armco wanted to do. But it took an outside consultant to point out to us that we had a gap on return on equity which could only be filled by putting our resources into something other than just carbon steel. That started the process through which we developed a strategy of deployment of assets that turned the Armco Steel Corp. into Armco, Inc.

From your current vantage point as a member of several

boards, would you just generalize a bit on changes in the CEO's job from about 15 years ago.

Verity: One of the bigger changes—and one of the better changes—is that there is a lot more management by consensus by chief executive officers. Chief executive officers are learning to marshal the resources they have in a far better way: They were using the head of the commercial part of the organization to make commercial decisions; the research and technology people were making the principal technological decisions. Now, chief executive officers are realizing that you can get further if you have the five or six people that you principally rely on—whether it's commercial or research or finance—meet together to discuss priorities, the things you really want to concentrate on. I know, in our own case, too often we expected the commercial guy to come forward and make recommendations before any input from the others. We found we did far better if we kicked an idea around first and let some problems surface before asking the commercial man to come up with a recommendation.

Does that development relieve the chief executive of the responsibility for making the final decision? Does it diminish his decision-making responsibility?

Verity: No; the only thing it might do is slow his decision-making process. He is now taking a lot more time in making decisions, but they are a lot better because he has everybody on board. And that makes a difference. The CEO could make a decision, but unless he has everyone with him to implement it, it won't get done. I don't care what you call it, but having an office of the chairman or office of the president or executive committee is an improvement in that the chief executive officer is hearing about some of the possible pitfalls before he makes up his mind.

I'm hearing that from every CEO I talk with—collegial, collective, consensus—they use different terms but there's an emphasis on lots more participation. How about other changes?

Verity: The biggest change is one that has bothered me. It is the idea of the chief executive officer or the chairman—usually it is the same person—being a lot more active in outside affairs generally and Washington in particular. Now the Business Roundtable, which epitomizes that emphasis, has made a tremendous contribution to getting business involved in government and society. What bothers me about that, as someone who has been there, is that once you start getting involved, you are in demand. You get more and more involved to the point that the problems of the business become more remote: You have reports that keep you posted, but you lose that touch with people that helps you manage the business. I know that I became too remote; I was too hard to get to. They kept saying: "It's not like it used to be. We can't get you when we want you."

From that experience come my thoughts on corporate governance: two or three people at the top, with the chairman as the outside person who has no responsibility for making decisions about the business. At Armco, where we tried it for three years, it was an ideal setup. My successor as CEO wanted to be CEO, but he was perfectly content to have me, as chairman, do all the outside work. And we had a chief operating officer, too. So, there were three of us. Obviously it didn't hold water to the degree that I hoped it would because the system ended when I stepped down. But when I see a CEO spending far more time than he should on outside activities while he's trying to run a company that is in trouble, I still think that there is merit in having a non-CEO chairman who will handle that part of the job.

The question that raises is whether, in the United States ambience, a person who is not chief executive can carry as much weight as the CEO in the arena of external relations, particularly government policy. If you had not been CEO, I think it would be difficult.

Verity: In my case, I was still chairman but no longer CEO. They thought I probably had enough clout to represent the company.

Could you have served the same purpose if, instead of becoming chairman of Armco, you had become chairman of the XYZ company?

Verity: Probably not. In the United States we have gotten the CEO thing too entrenched. There was a time when we had a chairman and president, but in 1960's or 1950's, or whenever, we picked up the CEO tag. And that has special implications and, now, complications.

There is a possible conflict of interest in all of these mergers that now occur. Which side is the chairman going to go on? Is he going to go with management, or is he going to go with the shareholders? And this has put a lot of chairman-CEO's in a very difficult spot. It is something that may have to be addressed one of these days. And one of the ways to address it is to say, as they have in England, that the chairman is going to have responsibility for external relationships, representing the shareholders, working with government, doing all of these things; the CEO has the responsibility for performance; and we are not going to have the same person doing both jobs.

Switch gears a little. Why are so many CEO's now calling themselves leaders? They used to be content as "professional managers."

Verity: I think it is understandable that people, particularly CEO's, would like to be leaders. I would like to be considered a leader of men—one who led the company in a new direction—rather than a professional manager who plans, organizes, leads and controls.

Isn't that what a leader does?

Verity: No. I think a leader persuades in other ways—by his example. I think a leader motivates in ways other than a professional manager, who feels that motivation is principally a function of rewards. If you lead your team, you feel you're bringing something special in the way of culture to your company; you're adding a dimension to the quality of life of those people and of the corporation. That is why CEO's would like to be considered as leaders rather than as professional managers.

And how do you interpret the fact that the stress on loneliness—the cold winds at the top—isn't quite so great among some CEO's.

Verity: That's because they are no longer making decisions at the top where that cold wind blows. I think that people who put themselves in that position, as I did, have learned that there are better ways to make decisions; it doesn't have to be so chilly at the top. All kinds of help — inside and outside—is available to you. Consultants, for example. At first, at Armco, people would say, "Gee, Bill is getting another consultant in." They had negative thoughts, Pretty soon they realized that a consultant only asks questions. He doesn't bring anything to it. He just knows what questions to ask to get people to start thinking, to start churning.

All kinds of sources of help are readily available. There are CEO's getting together in small groups. One that I have been a member of for 10 or 12 years gets together twice a year. Each person has a chance to discuss his business and his industry, and to throw out a couple of new ideas on something that they're doing, or to ask questions of the group about how are they handling something. These are peers who become very interested in each other, and to whom you can pose questions that are really bothering you. Being in Middletown, Ohio, rather than in New York, it was one of the greatest resources I had. The CEO doesn't have to be so lonely—but it takes time to learn that.

There is another development that is crucial, any may be the key to the change you see. Again, taking it back to Armco, it is the change from a functional organization to a decentralized organization with 150 different profit centers, which then became groups under the group vice presidents. That gives you people in charge of profit centers who are responsible for performance—group vice presidents who are supposed to be really your eyes and ears. That whole development made it a lot easier for the top man or the top two people to manage large corporations.

It has forced them to be less lonely; to bring them into the decision-making process. Would I be safe in saying these are some of the factors that have given rise to the emphasis on leadership? And is this also one of the reasons why the chief executive need no longer be as lonely? Or feels in a less exalted position?

Verity: I see plenty of CEO's who feel that they are in an exalted position. But I think your point is well taken. With all these changes in structures and resources available to him, the chances are he'll feel less exalted.

There is one other factor. The board of directors is taking a lot more interest in who is messing up the company. As a consequence, the CEO's aren't in that exalted position too long without the boards reining them in. The boards that I serve on now are more actively engaged in participating in goals, objectives, missions of the corporation.

PIET VAN WAEYENBERGE

President and CEO
De Eik, N.V.
Dilbeek, Belgium

Piet van Waeyenberge, 47 years old, heads his family-owned holding company that manages a portfolio of small- to middle-sized companies in trading, services and food product distribution. Operations in Western Europe, Southeast Asia, Latin America, the Middle East and Africa produce annual sales of approximately $500 million. Mr. van Waeyenberge acts as president and managing director of De Eik's various holdings.

Harold Stieglitz: How would you characterize the most significant part of your job?

Piet van Waeyenberge: To motivate people; to keep them going; to have them do things well and to develop some foundation—some values—that will support the drive to do things well. Values are difficult to define. Liberty, freedom, health, happiness, security in your family life—these are the big general values. Moving inside the company, to keep somebody motivated to be creative, to be productive, to himself feel well in his skin. So within the company, values become a matter of style—the example of the leadership in the company; the way we do whatever we do.

Cheese is one of our products, so we try to produce the best for a particular segment of the market. We have to be creative in finding better ways to serve the customers: The price-quality relationship has to be very good; the packing and delivery to the point of sale—everything connected with a product has to be good.

Getting the people in the cellars, getting the people in the labs, getting the people in sales forces, getting personnel and financial managers to do the best they can, each on his own level, means that they must be motivated with something more than just coming to work to kill time and earn a few dollars. I push, but I do a lot of explaining and give a lot of information. I'm permanently questioning what we do. Why do we do it that way; can we improve; can we change it? It's question asking, not question solving. And then giving the feeling that the people are all part of that group and can do something positive together.

Sometimes it is difficult because some monetary stimuli are taken away by taxes, and so on. It means constantly fighting routine; constantly reviewing why we do something and how we do it. And that's a tough job. Superficialities—bureaucratic nonsense—gets in the way.

Bureaucracy seems to be a favorite subject with you. How do you recognize it; how do you avoid it?

Waeyenberge: The companies that I either manage or of whose boards I'm a member are all small-to medium-sized companies. The distances are much shorter from the floor level to the top. And there is a willingness to keep them short. The longer the distances, the more bureaucratic an organization gets whether you want it or not. And there's a big danger in big companies that their internal control system, the reports they call for, become too heavy. Young people—young managers and operating people—get the feeling that they are ruled by accountants and by bookkeepers.

One of the top manager's jobs is to fight bureaucratism. We don't have too much trouble with it, because we are rather small teams. But the bureaucatism comes from outside. In my daily mail, for example, over 50 percent is letters from bureaucrats: ministries, state organizations, statistics, the whole lot. It's costly, very time consuming, and suffocating.

It is pushed on you. You are a fortress and they come in and they force you to become bureaucratic in filling out so many papers, in making the whole operation so inflexible—socially, financially, culturally, economically. This is particularly so in Europe. At the beginning of this year, we had a truckers' strike. The truck drivers had to open the eyes of the politicians by closing the borders with their trucks because they are really fed up. I have a phone in my car that I can only use in Belgium; I need a second phone for the 50 kilometers I drive through Holland; and I need a third phone in Germany. It is crazy—all symptomatic of lack of flexibility, of lack of freedom.

In our company, I've cut out as much bureaucracy as possible. If it is not necessary, no report. We have gone to short oral briefings. This morning we had a briefing meeting with four people and the whole report is one page, with sixteen check points practically in Morse code—not even a secretary, one of the guys around the table puts the sixteen points together: telex's that came; decisions to be taken; the offers or orders that are in the pipeline—only the crucial things. What is normal runs normally, with no long reports.

If I were managing a larger company, I'd do the same. But put me at the head of a giant, and it would have to be somewhat different. You would have a longer line, but the style of management need not necessarily be different. You would then have maybe ten key people, and you would have to moti-

vate them to push that style down the line. The secret is to find good people who would practice and pass that message. The chemistry called for is something I'm not sure about.

The chemistry—to find the magic element—I guess that's what you're paid for. Switch, if you will, to longer-term large decisions and how you make them.

Waeyenberge: They're going to be of a strategic order: (1) A change of direction of the company—to invest or disinvest with all the ramifications in terms of merger, acquisition, new ventures, selling a part of the company. (2) Choosing the top people; hiring and firing of my immediate collaborators and, even, middle management. (3) Setting objectives for the shorter period—three or five years—what market share do I want? Will I change the product? And one other area of a different character: Keeping an open eye and an open mind for new things, for innovation, for what's happening in society, is one of the CEO's key roles. This is a necessity in order to beat the routine that penetrates to even the highest level. Because business is going well—you have good figures—you're not alert to the revolution that is happening around you.

Today, in Europe, I feel we are in an acceleration phase that began more then five years ago. You didn't see it then, but you felt something. Now, suddenly, you see it, even if not very clearly. It is a feeling over your skin that some acceleration is coming in the change of the business. You see big companies going broke: Steel mills that people and governments still defend. It is lost, we should do something else. Now we are fighting on the coal mines. We should close them in 1987 or 1988, but everybody fights it. CEO's must speak out on these things and say we are convinced for these reasons that we should close them, or influence government to take another course because it will affect all the companies later on if the cost is too high.

So you're saying it's the CEO's job to assess the changing external environment and to act to help change the external environment.

Waeyenberge: Anticipate and act in time in your company on the changes and try to influence the external political decisions that are taken; try to convince those who have the power to do something on the basis of good reasons. It is not so difficult; usually it is just a simple rationale and logic. In the short run, that gets lost; but you hope that in the long run it will gain. I wish I could be more sure of that—a long run is a compilation of short-run decisions all the time. A CEO needs a lot of faith in what he is doing—just pure faith.

In your case, are you the key agency, the key repository for that external assessment—or is there a group within the company that you rely upon to keep you informed about?

Waeyenberge: No, I do it by myself. Of course, you never do it alone, you are influenced by others and you influence others. But my source of inspiration is, first of all, my fellow board members in the pharmaceutical industry, in banking, and in consumer goods, and the board of our holding company—all of whom provide a sort of permanent information exchange. And the second source is reading studies, magazines, articles, books, newspapers—just assimilating a lot of information.

You have been CEO for thirteen years and you are still very young, how long can you continue to be chief executive? How will you judge that it is time to leave?

Waeyenberge: I've put that first question to myself already. But I've really not thought about the second—except probably in my subconscious. Being in a smaller, family-owned company, as long as things go well, the question is not so acute. It's a decision I'll make for myself at a certain moment. I will still remain active, whether as a CEO or something else. Maybe I'll wait until I'm 60, or something like that. If I stay healthy, I'll always be a busy person. From my nature, I'm not likely to go sit on a beach.

Are you putting it in terms of age as opposed to a series of events or achievement of a particular objective?

Waeyenberge: A creation is never finished, so many things to do and the manager or an active person always sees new opportunities in the world. I've recently returned from China. The per capita income is $250. It's a well-organized, well-educated, highly cultivated population. So there's lots to do—a new world to grow in. But as to withdrawing from the job in this company, I'd say there will be the moment when enough structure and other persons are in place that I could say, ok, I'll hand it over. And I'm working to that because a manager has to build for the future, for continuity. You cannot make yourself indispensable. The graveyard is full of indispensable people.

Inasmuch as yours is a privately held, family-owned company—it's yours—are there any constraints on your authority?

Waeyenberge: The same constraints as a publicly held company—defending the interests of the shareholders, of the employees, the customers, and so on. Public or private doesn't make any difference to me. I have a board, but I don't feel they are a constraint. Mine are self-imposed constraints. We wanted to do more things or bigger things that would force us to go to the open market to raise more funds, that could be a constraint. But so far we've been able to generate sufficient cash flow and grow internally.

The name of the holding company is De Eik—the oak in English—it is the name my father gave to the company because he was born on Oak Street in a little village. The oak grows very strong, but very slowly for a long time. Our style is to avoid huge leaps that could jeopardize the whole structure of the company. We have taken leaps of one-and-a-half or two meters, but not two and a half or three meters. Maybe we missed opportunities by not doing that, but we have had very good growth and we won't test the alternative.

Do you see any substantial difference between the way the chief executive operates in the States and the way he operates in Europe?

Waeyenberge: Yes, in publicly held companies in the States, he has more constraints than in Europe; he's hounded by the stock market, by the earnings per share; by the press; by the

analysts. They have to play more for the show—sometimes at the cost of what should really happen. In privately held companies in the States, the CEO doesn't have the constraints of all that bureaucracy around him; he's a freer man. Therefore, smaller and medium-sized companies in the United States can grow very fast and can be very successful. One man takes the decision, he goes with it, and he sticks to it.

The notion of leadership of the man is venerated more in the States than it is here. The drive and the ambition to be CEO are greater in the States. The whole environment helps to cultivate that.

Does that give the U.S. chief executive more authority?

Waeyenberge: Authority, no. Power, yes, but that depends on the man—his competence, confidence, style, his personality. He has that power until they shoot him down and put another one in.

Dieter Wendelstadt

Chairman of the Management Board
Colonia Versicherung
Cologne, Federal Republic of Germany

Colonia, together with its various holdings, is West Germany's second largest general insurance company. Its operations extend to Brazil, the near East and North America

Dieter Wendelstadt, age 55, was appointed CEO in 1983.

Harold Stieglitz: Was your transition from the manufacturing world to insurance a difficult transition?

Dieter Wendelstadt: No. Everybody normally thinks that his profession is the most difficult. Normally, there is very little acceptance of outsiders in the insurance field or in banking — even though bankers think they can move anywhere. I didn't find it so difficult. Of course, my transition was eased by the people I worked with, especially the chairman of the board. He is a very, very strong personality, a great thinker and planner. He stood behind me.

In addition, I was brought in to carry through the merger of 13 companies that had occurred within the previous two years. When I came in, there were all bits and pieces. It was quite different from what I expected. Reorganizing it gave me the chance to sort things out and to form my own executive team. They are all younger people than I am; they're hand picked, and that makes it much easier for me.

If you didn't know too much about the insurance business when you came in, how could you evaluate what your key people were telling you?

Wendelstadt: We have the figures; we see the past performance. We form an opinion based on a personal impression of their management ability. I knew management organization, cost accounting, and finance. Working backwards from the figures, you find out very quickly about weak spots. Early on, I introduced meetings of the management team at which every department head has to make a presentation periodically on plans. How he did the job intellectually, how he did it professionally, and the way he answers questions all add up, pretty quickly, to an informed opinion of how much confidence I can have in him.

Are there any special qualities you look for in your top managers?

Wendelstadt: Really, the selection of people is my most important job; I can't delegate that. I look for certain ingredients that make a good manager: normal intelligence; more than normal vigor and physical power; willingness to work much harder than normal as to the time he puts in; the power to recruit and integrate people—and a lot of fantasy. Individually, very simple, but the combination of the five is very rare.

The number-one man or the top layer should be a group of people to whom others look up. You cannot be a top-notch man in a corporation and neglect your family. If you are a brilliant man in industry but your home is rotten, your family is broken up, your kids run around, you're not a complete personality. You may be a good performer, but you're not a leader—not a figure that I would look up to. The private lives, the public lives, the performance in the company—all this has to be a unit. You cannot be a brilliant man at work and a bastard at home. You must have peace of mind. If you have a second front at home, it just won't work. And, therefore, I find it's very important in picking your colleagues to look at the person's family life — to look at the whole person as a human being.

Even though you were brought in from the outside as chief executive, could you, under law here, pick your own executive team?

Wendelstadt: I cannot. We are a co-determined company; since 1978, we have had 50 percent labor representation on

the board. If I ask somebody on the management team to leave, I would have to go through the board; if I ask somebody to come, it has to be through the board. Nevertheless, if I find a person who should be on our team, it is my responsibility to get a majority vote from the board; it is not automatic.

If I have found someone, first I tell the chairman of the board. If he says ok, this is a man I could live with, then I have him meet the key people of my team. If that is ok, I next talk to members on the board. It's a long procedure, and we have to go through it every five years because each of us, including me, has a five-year contract after which we have to be reappointed. I cannot say to the board, "take this man, or else"; I don't believe in that. If I'm the only one who is for him, he has no chance. If it is the employer side that objects, then I would have to accept it. If it is the labor side, perhaps I can continue to work for his election. He must be accepted by a broad majority of my colleagues and the supervisory board. We have a very democratic organization here and you have to work with majorities. Even in our day-to-day management operations, I have a deciding vote, but I would never use it. We have to get a consensus.

What does the supervisory board expect of you—and how do they know what they are getting?

Wendelstadt: They want to have the feeling that there is peace in the company: that the management team knows where it wants to go; that it has produced a long-range plan and is working toward that plan; that the company is performing. Then, if they don't hear too much noise from within, and they don't hear too much noise from the marketplace, they can control by the paper we produce. We give them a lot of information to make it possible for them to control the company. But basically the company is run by us, by the management team.

Do they give you any advice; do you go to the board members to ask for help in thinking something through?

Wendelstadt: No. And I don't go to them with unresolved problems. That's a sign of weakness. If I cannot solve my problem, I cannot go to the board.

Do you use any of the board members as counselors?

Wendelstadt: The chairman of the board is a very remarkable man; he is my sounding board. He tells me his thoughts, his way of thinking, and we hammer out strategy and any broad scale change in direction. He doesn't bother if we branch out into Portugal or to Spain—that's normal day-to-day business. But if we were to acquire a major company in the United States, or a major real estate investment, or become a member of Lloyds of London, he would be interested.

To whom are your management board and supervisory board, respectively, accountable?

Wendelstadt: The management board to the supervisory board, which is accountable to the shareholders.

And does any liability attach to the supervisory board for poor performance of the company?

Wendelstadt: If the shareholders are not happy, then they stand up and say so at the annual meeting. They could say they want somebody else; but that hasn't happened.

If the shareholders are unhappy, are they unhappy with the supervisory board or are they unhappy with the management board?

Wendelstadt: Basically with the management board. But if I didn't perform satisfactorily, that would have consequences for the chairman of the board. His misjudgment of the chief executive would be a very serious thing—it just shouldn't happen. You cannot change CEO's everyday like your shirt.

If the company gets into deep trouble or is caught in something fraudulent, who goes to jail—you or the head of the supervisory board?

Wendelstadt: For fraud, for something seriously criminal, I would go to jail. For a big mistake that cost the company a lot, it would also be me. It's always the chief executive, because we run the company; we make the proposals; the chairman of the board doesn't.

How will you know that it's time for you to leave as CEO?

Wendelstadt: I don't know. My wife will tell me—tomorrow.

Have you ever thought of the criteria you will use to determine that you're finished?

Wendelstadt: If the question would come up today, I think the sky's the limit. I wouldn't mind doing the whole thing over again. I would probably do certain things differently.

If ever the point comes when you feel scared to make a major jump again in the company's life—a merger or a divestiture—it's time to leave. If I ever felt that I can't do that anymore—I can't fight it through, it's too cumbersome; I feel a little too tired to carry it through—I think that is the point when I should think about stepping down—or, better yet, before reaching that point.

CHAIRMAN-CHIEF EXECUTIVE

of a Large Industrial Company based in Midwestern United States

On Succession

A lot of stuff, most of which I don't happen to subscribe to, has been written about the concept of succession. My experience has been very different. A concept of a relay race, rather than a precipice, is extremely beneficial to the people involved and, more importantly, to the institution. You should appoint a new chief executive relatively early—the transfer of responsibility ought to be phased over a prolonged period of time. It is best to have one management team working its way into increasing responsibility as its members learn and as they develop greater capability and while the other management team is phasing out gradually over a long period of time.

That is what we have done. I'm very comfortable in this environment and I think the institution and the human beings involved benefit enormously. The idea that you can run along as chief executive and that—at some traumatic firing of a gun—you are suddenly no longer useful and the next guy is omnipotent does not correspond to any view of human ability that I understand. It doesn't correspond to any of my observations.

What's required is a sense of compatibility between the outgoing chief executive and the incoming chief executive. It certainly requires a shared set of values and a shared set of perceptions. It requires that you engage in this process openly and willingly and with the understanding that it is the way it ought to be, rather than some sort of chafing or wishing it were different. In the case of our management team, it is not without its bumps. But what human relationship doesn't have them?

On a One-two Team at the Top (which in this case has existed for more than 10 years—a chairman-CEO and a president-CEO)

Our situation may be peculiar and I'm not setting it as a model. It isn't one-two. It is a shared set of responsibilities with which we have long since become very comfortable. There are certain things that I find more challenging and rewarding; there are certain other things that he finds more challenging and rewarding. There isn't any distinction between the type of big corporate decisions that he can make and those that I can make. But it is very unlikely that he would make a big corporate decision without talking to me. It is equally unlikely that I would make a big corporate decision without getting his full involvement and concurrence. I can't conceive of making a decision that he and I wouldn't have wrestled to common ground. And I'm sure the board would put as much faith in what he says as in what I say.

If I get hit by a truck tomorrow, my family would probably be shattered—but the company would march forward. If you ask me then what is the special significance of being chief executive in my situation, I'd ask, 'who says there has to be something special?' The CEO titles carries an imprint of the final set of responsibilities. If something goes inordinately wrong, the responsibility is mine; it isn't shared. I have no problem with that. If somebody finally has to say, ok; if you want to look to a final authority, I guess it has to be the chief executive. But to me, that's a 'so what.' If someone insisted on a delineation of our areas, that's been pretty well worked out over a time—although it is always changing. He is responsible for the formulation and execution of the five-year plan; my responsibilities are for the overall guidance and direction, policy setting, strategy from five to ten years, and personnel. But we go back and forth. So what happens in our scheme of things is that I don't surprise him and he doesn't surprise me on virtually anything. What helps is that we've been together a long time and share a set of values that have been built into the company. Occasionally both he and I get in a position where we have to commit without coming home. I can't think of a time when we didn't just sort of smile and, say 'yes, so what's new'?

On the Need for Shorter Terms of Office, Five Rather than Ten

I couldn't disagree more. Fundamental change takes a very long time. Quick answers produce tomorrow's problems, which are worse than the ones you're trying to fix. The endemic problem of the United States manufacturing sector is that, for a variety of reasons, it has become noncompetitive in the world environment, and its growth is probably behind it. We have to restructure virtually every habit we've learned, and we have to do it in ways that either are not apparent or are on a time frame that is not favorable. If we don't have a major commitment to this task of cost reduction, high quality, and prompt delivery, and a major commitment to restructuring, and a major commitment to changing the way we use human resources, then we are going to atrophy no matter what the government does to protect industry. That change requires long, steady and firm conviction at the top of the company. The quick turnover of personnel contributes to the quick-fix mentality. But there aren't any quick fixes. Expecting them is illusionary and it is seductive in the worst possible sense. I couldn't feel more strongly.

On Collegial Decision Making

To what extent is it: "I respect your opinion and you respect mine," as opposed to "I'm boss so we're going to sit and talk until you come around to my way of thinking?"

Somewhere in between. The guy who goes into a meeting, puts his feet on the desk, and says, 'now, let's have a consensus'—well, that's chaos, that's anarchy. Woe to the chief executive or the chief operating officer who doesn't have

some idea of where he is going, and some convictions as to the general scheme of things, and some sense of what he is willing to accept and what he is not willing to accept. That framework can't be just serendipitous; that direction is not accidental. On the other hand, woe to the chief executive or the chief operating officer who plays games with his colleagues, who engages in a collegial environment in order to seduce them. That ain't going to work—you'll have a bunch of nobodies working for you. You have to encourage and accept both the debate and the new ideas, and allow your own thoughts to be shaped by better thoughts and better ideas—and to change your mind if you need to.

Can you think of any big decisions that have been made on that basis—decisions with which you, personally, did not agree?

No big policy decisions have been made with which I haven't agreed. But I can't conceive of it happening otherwise, because we would pound out common ground. There are plenty of times when the tactics or the techniques that I would employ would not be the same ones that my colleague would employ, and vice versa. What is germane is what we want to do and getting it done well—humanely, thoughtfully, within the boundaries of ethical behavior. You just keep pushing, asking questions until it becomes evident that this is the way to go. That's the responsibility of the boss—to arrive at an answer that is cost effective, acceptable and has enough ownership by those who have to execute it. The boss can't execute, and execution is 90 percent of the game. Among 100 game plans, I want the one that most people agree on. And I'll sacrifice the elegant solution for that.

We do ourselves an enormous disservice in our management education. We talk about decision making; we talk about analysis; and we talk about concepts. I have a business-school background and so do a lot of people who work for us. But it doesn't take very long to recognize that the conceptual part of the job is by far the easiest in a very large, complex, interdependent, human organization. It takes 10 percent of the time. But getting the concept right proves absolutely nothing if you can't implement it. Getting it done is what we pay managers for. The Japanese knock us dead on this. They spend most time understanding the issues, the alternatives, and gaining consensus. Then they execute and they go like crazy. We pride ourselves on quick decision making, but then fall down on implementation.

I'd in no way deprecate the conceptual job that needs to be done. What we have learned the hard way is the concept needs to be developed with the full involvement, understanding and commitment of those who have to implement it. Once you do know where you're going, then the road that most people can find acceptable for implementation is the road that will get you there quickest.

On Owners, Managers, Entrepreneurs and Leaders

I'm not sure which I am. I believe I think like an owner. Our heritage from previous heads is that you put yourself in the position of the long-term owner and think of what he or she would do that will look best 20 years from now. That's the framework from which we operate: If we owned it, how would we do it? I think that's missing in much of today's management.

Of course, if the chief executive isn't a leader, who the hell is? But part of this is terminology—the wrong terminology. The distinction should be between administrators running something in place versus change makers. Leadership is an exercise in change. Every organization is an organization in transition no matter where they are—either they're dying or they're not. Therefore, the leadership role is that of change maker and that is damned tough.

On Values

Our real heritage is a long-term bias toward providing value for a whole variety of stakeholders: That the value added needs to be tangible and real, instead of illusion. It's longer term rather than short. It is human rather material—people are important, they are human beings.

That is our environment. I make no claim that it is applicable, transferable, right or wrong. It is what we do.

It's possible that our physical location—in a smaller town—affects us. People who live and operate out of large metropolitan communities deal essentially in abstractions. Their plants are at distant locations; their people are charts; they live in offices in big buildings. What happens within the entity is far from where they sit; it sometimes loses its reality. From that comes the mentality of trading: the idea that a company, somehow, is a commodity to be bought and sold. The real value of production has somehow been lost.

On Control

I don't understand the word "control." But to assure that our values are adhered to, you do the best you can to create a climate in which values are shared by the thousands of people who are the company—where each of the thousands of people is his own checker who screams when what happens doesn't match our commitments. You can't devise a control mechanism that will let you inspect what people don't want you to find out or what is not consistent with their value systems. The job of the senior management is to articulate and re-articulate what the central values are; to make sure that the implementations are consistent with those values; to make sure that the feedback mechanisms in terms of progress are there. But control, at least in my sense of the term, is an illusion.

On the CEO's Job

It isn't simplistic. There is no magic wand. It's damned tough work, and you're wrong a lot of the time. What you really want to do is to build a system where you're going to be wrong reasonably less of the time; where your judgements

are importantly more informed. You have to remember your own fallibility in dealing with the enormous complexity of what's being tackled. There's little likelihood that a white knight is going to get it done, or somebody on a white horse charging away into the sunset.

It is tough work; and it is complex and people either like it that way or they don't. People who try to make it more simple than it is are basically satisfying their own needs for order. To me, what's most important about this kind of business is the definition of maturity: "It is the ability to live with uncertainty." There is a lot of uncertainty in this world and there is a lot of uncertainty in business organizations. Being able to live with that set of uncertainties and to live with the knowledge of your own fallibility and to be able to say, yea, "that's right," and to keep a sense of humor about it, and to enjoy what you're doing—those are all much more important than simplistic statement like "the buck stops here" or "the CEO is the whole show."

Part III

Profile of the CEOs

If maturity comes with age and experience, if inflexibility comes with too much age and too much experience, these 287 CEOs, as a group, are more mature and more flexible than those of a generation ago. They are more seasoned, and bring broader business experience to the job—having been exposed to other businesses in general management positions that approximate that of a CEO. And their educational backgrounds have oriented them more fully to the world of business.

Age

The responding CEOs are older than those of 15 years ago, when almost one-half had not yet reached 50. Among today's respondents, only about one-sixth are that young. The bulge is among those between 55 and 65—60 percent in this survey compared to 40 percent 15 years ago.

And, quite distinctly, today's youth movement has shifted from the United States to Europe; the older (over 55) are most prevalent among the U.S. respondents. (Table A.)

Age at Becoming CEO

Despite what seems to be an aging of the CEO group, more are gaining the top spot at an earlier age. The drop is not dramatic; and it is being accomplished not by appointing them when they are much younger (i.e., under 45 years) but by withholding the office from those who have reached 60. Comparing the entry ages of respondents 15 years ago with those of today shows:

Age at Becoming CEO	*1968*	*1984*
Before 40	15%	18%
Before 45	35%	35%
Before 50	53%	58%
Before 55	72%	80%
60 or More	12%	2%

By far the largest group that had to wait to age 55 before becoming CEOs were those in the United States. (Table B.)

Years as CEO

Duration of service as CEO among the current group is roughly similar to the respondents of 15 years ago. Those who have the longest service as CEO are in Latin America, where a number of the respondents are from family-owned companies headed by their founders. (Table C.)

Years with the Company

Most of these CEOs have had long service with the companies they now head. The distribution matches that of the previous report with one glaring exception: A far larger proportion of U.S. CEOs than 15 years ago claim more than 20 years with their companies. (Table D.)

Outsider or Insider?

More frequently than a generation ago, the CEO has been brought in from the outside—25 percent now compared to 20 percent then. The switch is most evident among the Europeans. (Table E.)

Brought in from the outside does not necessarily mean immediate occupancy of the CEO's chair. It usually signifies a relatively short apprenticeship as part of the chief executive office or as chief operating officer.

Among the U.S. CEOs—most of whom currently carry the title "Chairman and CEO"—the vast majority were in the "Number Two" spot (either as president or executive vice president) immediately prior to moving up. Indeed, only a handful of prior titles reflect a staff or function-related position, for example, "senior vice president, administration," "general counsel," or "vice president, planning."

Among those outside the United States, most of whom translate their current titles to "chairman" or "president" (with or without the CEO addition), the prior positions were more varied or ambiguous, for example, "director." Still, like their U.S. counterparts, general managers or heads of oper-

Table 2: Profile of the Chief Executive

	Total	U.S.	Europe	Canada/ Austr./N.Z.[1]	Latin America	Rest[2]
A. Present Age						
No. of Companies	287	153	68	31	19	16
				Percentages		
39 or less	2	0	7	0	0	0
40-44	4	1	10	3	5	0
45-49	8	7	10	3	21	13
50-54	21	20	19	45	11	6
55-60	35	39	27	32	37	25
61-65	24	29	24	10	16	19
66 +	6	3	3	7	11	38
B. Age when Appointed CEO						
No. of Companies	286	153	68	31	19	15
				Percentages		
39 or less	18	11	25	16	42	33
40-44	17	16	19	19	16	7
45-49	23	22	25	23	21	27
50-54	22	24	21	26	16	13
55-60	19	25	10	16	5	13
66 +	2	3	0	0	0	7
C. Years as CEO						
No. of Companies	287	153	68	31	19	16
				Percentages		
less than 5	34	38	32	42	11	19
5-9	24	24	28	19	26	19
10-15	22	22	19	26	21	31
more than 15	19	16	21	13	42	31
D. Years with Present Company						
No. of Companies	277	148	65	31	17	16
				Percentages		
5 or less	9	6	15	13	12	0
6-20	33	26	43	39	41	31
21-35	40	48	28	32	41	31
more than 35	18	20	14	16	6	38
E. From Inside or Outside						
No. of Companies	280	150	67	31	17	15
				Percentages		
Promoted From Within	67	77	55	71	29	53
Brought From Outside	25	17	42	23	29	27
Founder	8	5	3	7	41	20

[1] Grouped to focus on British Heritage; 22 are Canadian.
[2] Japan, Indonesia, Israel, Lebanon, Malaysia, Philippines, Taiwan, Turkey.
[3] Totals exceed 100% because of multiple entries.

Table 2: Profile of the Chief Executive (continued)

	Total	U.S.	Europe	Canada/ Austr./N.Z.[1]	Latin America	Rest[2]
F. Other Companies Worked For						
No. of Companies	287	153	68	31	19	16
				Percentages		
0	20	23	15	19	5	31
1	27	30	16	42	16	19
2	23	25	18	16	42	25
3	11	9	18	3	11	13
4	7	5	10	10	5	6
5	4	2	9	0	5	0
6 or more	9	6	15	10	16	6
G. Previous Business						
No. of Companies	214	103	55	25	18	13
				Percentages		
Same Business	43	42	47	44	33	46
Different Business	57	58	53	56	67	54
H. Board Memberships						
No. of Companies	227	131	50	21	15	10
				Percentages		
1	16	22	6	5	13	10
2	29	33	22	33	7	30
3	19	24	10	14	20	0
4	13	13	14	14	13	10
5	8	4	14	14	20	10
6	5	3	8	10	0	20
7 or more	10	1	26	10	27	20
I. Years of Formal Education						
No. of Companies	285	153	67	30	19	16
				Percentages		
8 to 12 Years	3	1	6	3	11	0
13 to 16 Years	39	39	34	43	37	50
17 to 18 Years	43	41	48	37	53	44
19 or More Years	15	19	12	17	0	6
J. Educational Background						
No. of Companies	287	153	68	31	19	16
				Percentages[3]		
Business	20	24	16	19	16	6
Finance and Accounting	23	24	19	29	21	31
Law	13	11	24	3	11	6
Engineering	42	41	40	42	53	50
Social Sciences	17	14	24	19	11	25
Humanities	13	15	12	10	5	6
Other	7	7	4	10	11	13
MBA or its Equivalent	37	26	57	32	42	53

ations prevail, even though specific functional positions show up a bit more frequently.

Previous Companies

Far more often than not, these CEOs have had previous experience with at least one other company. Their mobility is far greater than what existed among respondents 15 years ago when the total experience of one out of three—compared with today's one out of five—had been with the company they now head. (Table F.)

According to an appreciable majority of respondents, the previous experience was in a different business than that which they now lead. Although the Europeans report the greatest numbers of intercompany moves, they seem to have stuck to the same types of business a bit more often than those in the other countries. (Table G.)

Board Memberships

Being a board member of other companies, for most, is their most valuable continuing means of self-development. U.S. CEOs tend to restrict themselves to one or two board memberships; the rest do not limit themselves to nearly the same degree—possibly because conflict of interest does not get as great an emphasis; but, more practically, because of the smaller supply and/or more closely knit circle of high-level top executives in their countries. (Table H.)

Years of Education

If there is any correlation between years of formal schooling and education, today's CEOs are better educated than those of 15 years ago. Far fewer have no more than a high-school education (3 percent as against 10 percent earlier). Substantially more have had graduate or post-graduate courses. (Table I.)

Educational Background

With one major exception, the educational background of these CEOs is very similar to those of 15 years ago: Engineering still dominates, followed by finance. The exception is the swing from the humanities to business. Roughly one-fifth claimed a humanities background 15 years ago to the one-sixth who said business. Today it is just the opposite. This shift is most notable among European CEOs, where one-half as many claim a humanities background as did 15 years ago. The proportion with a business education has gone from one in ten to one in six. (Table J.)

About one-third of all respondents claim an "MBA or its equivalent." For the U.S. CEOs, the emphasis is clearly on the MBA as such; for those outside North America, the emphasis is undoubtedly on the "or its equivalent." The Harvard, Stanford, and Wharton business schools might argue the equivalency claimed, but emphasis on post-graduate studies in business management has clearly heightened considerably.

These CEOs are evidently far more satisfied with their educational backgrounds than the earlier sample when only 10 percent would not have changed their education. Today, fully a third choose this response. Asked what additional study they would have found useful, no particular field gets the nod from as many as 10 percent—accounting, humanities, and "other," (usually marketing) are the only fields mentioned by at least 5 percent. However, asked specifically about an MBA, almost one-fifth—mostly U.S. and Europeans—indicate it would have helped.

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